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COMMUNIST BOGUS PEACE AND SINO-JAPANESE RELATIONS

Not one of the 500 so-called delegates who made their way to Peking from many parts of the world for the "Peace Conference" possessed the authority to commit a single government. They are mere tourists, privileged beyond the ordinary traveller it is true, but still tourists. Their real job begins when they return to their own lands. There they are expected to speak, work and act for a Communist peace. They are to be the spearheads of a Communist mobilisation designed to sabotage the policies of their own governments and to carry out the behests of Moscow.

Some will play that part. Many will not, for their pacifism is of that order of sincerity and intelligence which enables them to see through the cynical devices of the masterminds who alone command the money and the influence to launch and finance so ambitious an undertaking. The genuine pacifist is also a humanitarian, and will have taken due note of the recent series of three alternative methods whereby prisoners of war in Korea may be released and at the same time be free to make their own choice as to where they will go. On the most practical measure to achieve peace, therefore—the signature of an armistice in Korea—the Communists are forced back on an inarticulate defensive.

As most people realise, the "Regional Assembly" in Peking of the World Peace Council will have no real influence on events. The real crisis in the Far East, after a Korean settlement, involves the relations between Japan and China. It is necessary to cut clean through all the cackle to that plain and simple fact. If China and Japan can find a means of living amicably together as did Britain and France at the turn of the century, there will be peace in Asia. That is as true now as it was in the days of Li Hung-chang. All the wars in the Far East since both China and Japan re-established relations after long isolation were the result of conflict between them. Least of all was Pearl Harbour a separate phenomenon.

The Communists are guilty of great and shocking irresponsibility at best, and of deep and flagrant deceit at worst, in facing the problem of post-war Japan. They had the same chance as the other combatants in making peace with her. It is a lie to say that Japan refused an overall peace. She was in no position to refuse it, powerless and occupied as she was. It was the Soviet Union which refused, in Japan as in Europe, to make peace. Ever since 1947 the United States tried in vain to induce Moscow to join with her in making peace with Japan. There was one time, immediately after the collapse of the North Koreans in the autumn of 1950, when the Kremlin did show some sort of inclination, but it was merely to tide over a dangerous period of Communist defeat and Russia remains at war with Japan to this very day through nobody's fault but her own.

Peking did not enjoy belligerent status, for at the time of Japan's surrender the Communists had no official status whatever, save as sponsors of a restricted rebel regime in Yenan. Even the North-East Regional Government had not then been instituted. Legally they were not even bound or

embarrassed by the Sino-Russian Agreement concluded by the National Government, in 1945. They did not sign the Treaty themselves till 1950, and then they bound themselves to the Kremlin in a Treaty avowedly directed at Japan. Now that very commitment, which prejudiced any initiative in the direction of a peace treaty with Japan, is used as an excuse to justify to the alarmed and disillusioned Chinese people why China must remain at war with Japan, and why Russia must be asked to be kind enough to remain in the Kwangtung Leased Territory: Port Arthur and Dairen. "Inasmuch as Japan refused to conclude an over-all peace treaty and concluded a separate treaty with the United States and certain other countries, as a result of which Japan has not and apparently does not want to have any peace treaty with the People's Republic of China and the Soviet Union," said Chou En-lai in his Exchange of Notes with Vyshinsky, "conditions dangerous to the cause of peace and favourable for the recurrence of Japanese aggression have arisen." The second part of the premises is hardly more true than the first, with Japan still a disarmed State and the Chinese more heavily armed than at any time in all their history. But to the extent that it is a projection of truth into the future, to that extent the blame has to be taken by the Communists themselves, both in Peking and in the Kremlin. Their blunders since 1939 have been colossal, and unless their diplomacy shows a resilience and sanity it has hitherto lacked, the consequences will be dire indeed.

When the Chinese National Government signed the Treaty with Soviet Russia in 1945 it was a mixed blessing to the Chinese people. Yalta was its real, and unhappy, parentage. Still it was an immense asset, for it provided a solid and absolute guarantee against a repetition of the Japanese invasion and conquest. All the world stood behind the safeguards it crystallized. Now the position is being transformed and the Treaty has become as grave a liability as it had formerly been an asset. The Chinese people have now been thrown, by the leaning to one side policy, into a position of sole and complete dependence on the Soviet Union. Indeed there is a marked resemblance between the catastrophic position of the Dynasty at the turn of the century, after lining up with Russia, and that of Peking today. The answer to the change, as laid down in the People's Daily in its comment on the Sino-Soviet communique which referred to the recent talks in Moscow, is to "develop the mighty strength of the Sino-Soviet Alliance." That is not necessarily the best or the safest answer. It is equally necessary to develop diplomacy—and trade—with Japan and the free world with the ultimate aim of establishing more enduring and comprehensive arrangements for peace and amity.

Peking is approaching this imperative necessity solely on the basis of Communist propaganda, intrigue, subversive technique and dictation, with sabotage and infiltration on the Japanese home front. The method is beyond all others certain of defeat and frustration. Indeed it is calculated to produce not the right but the wrong answer for everybody, and by the friction and bad feeling it must engender play in the end into the hands of the militarists who are now discredited as never before, but who can still find abundant support if need be from the virile, robust and "unfulfilled" millions they formerly led.

In his socalled "open letter" to the Japanese people last month Kuo Mo-jo, the Chairman of China's Communist peace-fighting committee, made a long and hypocritical appeal for Japanese support of the miscalled peace conference in Peking. There were some passages in it that might not be without influence had they been sincerely meant. Kuo Mo-jo himself was conscious of the deep mistrust such Communist approaches—always with an eye on the fifth column—cannot but have. He insists again and again that his letter, and the conference itself, were frank and honest. But they still call for a settlement of the Japanese, and Far Eastern, problem, solely by the Five Great Power, excluding Japan. There is no basis there for negotiation now. It is not enough to demand the "democratization" of Japan—with the sinister meaning Communism has now given that word—or to oppose the remilitarization of that country while the boot has passed to the other foot and it is China which has a vast army and Japan which is unarmed. It is not impossible for China and Japan, by honesty and sincerity, to find a way to a better and more harmonious future for both. The preliminaries are obvious. Wasteful propaganda conferences like that in Peking are not among them. A truce in Korea, and genuine promotion of Sino-Japanese trade, are the first real steps. Then must come a positive diplomacy designed to replace a rival system of power, policy and armaments with a comprehensive, all-inclusive system—somewhat similar to the solution at Washington after the first world war when particular obligations like the Anglo-Japanese Alliance gave way to general treaties.

As things are China and Japan present an appearance of deadly rivals for the mastery of Asia. Kuo Mo-jo taunts Premier Yoshida with declaring that "the U.S. expects Japan to be the leader of Asia." The language used by Communist leaders nowadays implies that the Chinese Communists consider such a role reserved for themselves. That way disaster lies. Peace in Asia depends chiefly on a rational and permanent settlement of the Sino-Japanese question. It can be done only by the full and imaginative release of all the resources of realistic and imaginative diplomacy, not by mouthing stale slogans or by dependence on conspiracy and intrigue.

CHINA'S GREAT CONSERVANCY SCHEMES

Never since the Republic was proclaimed more than 40 years ago has China been so free from war and disorder, as it has been since the Communist Liberation Army completed the conquest of the country. From Manchuli to the Hongkong border railway transport has suffered no physical interruptions whatever, whether from flood, or warlordism, or civil war or invasion. There ought to have been record production in all directions in such conditions and with the ruthless drive and emulation competition the Communists created. But they are only just beginning to talk of beating the production figures of the middle 'thirties—when the rich territories of Manchuria were occupied by the Japanese and outside the records of China Proper. In industry and commerce, too, they spent half the year paralysing production and the other half in stimulating it. But there is one aspect of activity in which praise is general and blame negligible, i.e., the immense conservancy works.

The remarkable thing about this is that the Minister of Water Conservancy, General Fu Tso-yi, is not a Communist at all, but a former Shansi and Hopei Militarist—one of the more enlightened it is true, but still a "reactionary Militarist." If he was responsible for the administration, the Communists themselves supplied the drive and the plans, and if they never did another constructive thing, they would still be entitled for this alone to the nation's gratitude. For if the work they have done is durable, if it stands up to the test in practice, it will have altered for the good the lives and fortunes of all who live by and upon the great rivers, and assured them that the crops they grow will not be overwhelmed and their homes with them.

This conservancy work stills the voice of ideological controversy. Even the fact that the hundreds of thousands of peasants mobilised for the jobs received their daily bowl of rice but no pay hardly appears so heinous in view of the immense significance of the work they have done and are still doing. The great rivers have been neglected for centuries, but the time limit had been reached and passed after the Nationalist forces diverted the Yellow River to prevent the Japanese from advancing westward from Hsuchowfu in 1938-9. That diversion wrecked the whole river system between the old bed of the river and the Yangtze, choking the main Huai River and most of its important tributaries with its silt, and leaving the flood waters brought down from Shensi and Kansu to flood the entire countryside of North Anhwei. It is true that the heroic exertions of the American conservancy engineer Colonel Todd closed the breach in the Yellow River soon after the war and sent its waters back through the old course. But by that time the damage to the Huai river system had been done.

The People's Government gave priority to river control as soon as it was formed. A nation-wide plan was worked out and put into operation by stages. Added stimulus was supplied by the great floods in various parts of the country. In 1950 some 42,000 kilometres of river dykes, ruined by the floods of 1949 and earlier, were restored and strengthened, with permanent masonry embankments at danger points. Behind this firm defence line further developments were embarked upon. In the next two years the conservancy authorities concentrated enormous armies of peasants and a host of technicians on tackling the Yi and Shu rivers in Shantung, the Huai River and the Yungtingho (North China's Sorrow). Official figures state that, taking 1949 as 100, the total area of inundation in 1950 was sixty; in 1951, 21; and by September 1952, only 8. The total scale of work, it is claimed, is "breath-taking." During the past three years the total volume of earthwork alone has reached 1,700 million cubic metres—ten times as much as was involved in building the Panama Canal.

General Fu Tso-yi spoke of it all as "a real miracle." It is certainly so regarded by all familiar with the vain efforts over a whole generation of foreign and Chinese engineers to get the plans they had on paper for radical improvement of the waterways converted into practical endeavour. He is fully entitled to say that the work would have taxed the resources and skill even of countries much more highly developed economically than China; and they certainly couldn't have got the labour without paying heavily for it. For China it has truly been "something quite out of the ordinary," and done with great speed though with inadequate machinery.

All the 3,500 kilometres of the main Yangtze dykes, and even longer stretches of dykes along its main tributaries—the Han River and the Tungting and Poyang Lakes—were restored after the 1949 floods. In this task 290 million cubic metres of earth were used. Last summer a great water detention basin, with a movable dam more than 1,000 metres long, was built at the most important and dangerous part of the Yangtze River—the Chingkiang section in Hupeh province. This was done as a drastic emergency measure, to deal with the heaviest flow known in half a century, before the project is launched to put the river finally under control. Meanwhile teams of specialists have been surveying the river and its major tributaries to work out overall plans for the multiple purpose development of the mighty resources of the Yangtze. American engineers during the later stages of the last war drew up a blueprint for a great dam in the Gorges which would supply power for an immense area on both banks of the Yangtze. That is wholly beyond China's resources, even with Soviet aid, just now. But some day that mighty dream will doubtless become a reality, when it is possible for America to do what she did for the Soviet Union in the building of the great Dnieper dam.

The Yellow River has been known throughout China's history as "China's Sorrow." Over great stretches in the North China plains its bed was above the surrounding countryside, having been silted up over the centuries; the river was merely imprisoned within high dykes which now and then collapsed under the immense pressure of flood waters and involved the countryside in disaster. Several times it changed its course to the sea with ruinous results. In the years since the Communists took over, the main dykes of the river have been raised and strengthened several feet above the highest known water levels. In the past six years, since the Nationalists returned the river to its old course, no further dyke breaches have occurred.

A long-term, over-all plan for the large-scale development of the river's rich water resources is in preparation. A huge water detention basin was built in 1951 in the middle reaches of the river capable of retaining an excess flow equal to the highest volume hitherto known.

In the far northern bend of the Yellow River irrigation schemes have enabled large desert areas to be cultivated. These schemes in Ninghsia and Suiyuan provinces call for adequate irrigation for about 650,000 hectares of dry land. Work already completed brought in the extra grain output of 66,000 hectares. Never before, it is claimed, was the Yellow River utilised to serve the people in its lower reaches. In Pingyuan province (formerly known as

the great West Shantung plain) 32,000 hectares along the river are now irrigated from the Yellow River and have become fertile wheat and cotton lands. The long-term plan calls for even bigger irrigation projects.

The most impressive work of all has been on the Huai River, whose basin is populated by more than 50 million people. The entire undertaking, to be done stage by stage, includes the construction of 13 storage reservoirs and 17 water detention basins to control excess flow, prevent floods, and irrigate an additional 3.3 million hectares; the rebuilding of the dyke system; the dredging and renovating of the Huai River itself and scores of its tributaries; the erection of numerous locks to make the entire system a navigable waterway to link up the eastern and central parts of the country; and the construction of hydro-electric power stations for industry and agriculture. This project began in the winter of 1950 and is due to be completed in 1955. Three reservoirs and 15 detention basins have been completed with a total capacity of 10,000 million cubic metres; 2,200 kilometres of dykes along the Huai and its tributaries have been restored and strengthened and nearly 3,000 kilometres of a score of main tributaries have been completely or partly dredged. The excavation has been finished of the 170-kilometre main canal of a new mammoth irrigation system in Northern Kiangsu which, when completed in 1955, will irrigate 1¾ million hectares, adding another million tons of rice and 110,000 tons of extra cotton to the crops.

Outstanding work has also been done in controlling the Yi and Shu Rivers in southern Shantung and Northern Kiangsu. Over two million peasants have been engaged for the past 3½ years in removing the flood menace from this water-tangled area which suffered successive terrible floods in the ten years ending in 1949. Two new outlets have been built for these rivers, changing their courses, and by June this year the flood menace was basically eliminated, and the five million peasants in the area assured safety. A good wheat harvest was already gathered in the summer of 1951. This year the whole area was free from flood and is now on the high road to prosperity.

For 20 years and more big schemes have been on paper for the control of the North China river system. Many celebrated engineers have been brought out during the various regimes before and after the Nationalist Revolution, and the Chihli Rivers Commission under the former Chief Conservancy Engineer of the Indian Government, Mr. F. C. Rose, drafted a detailed Grand Scheme in which the control of the heavily silt-laden Yungtingho was the main feature. But nothing much was done about it until the People's Government began to put some of its recommendations into force. A huge detention reservoir with a capacity of 2,100 million cubic metres is being built, and the river's dyke system has been strengthened. A new river bed has been cut for the Chaopai River in Eastern Hopei and a large reservoir is also to be built on the upper reaches to control the whole flow. Radical work is planned on another treacherous river, the Taching, which runs across Hopei Province, the survey of which is now being completed.

In addition to these measures the new regime has rebuilt the old sea dykes along the sea coast of Chekiang and Kiangsu Provinces, some 580 kilometres in length. They are said to be stout enough now to withstand a typhoon as strong as that of 1949 which smashed most of the sea dykes. Now behind the new dykes nearly a million hectares of rice and cotton fields in the coastal areas are being cultivated in safety. More than four million new irrigation ditches, ponds and wells have been built all over the countryside by the peasants. Smaller irrigation facilities in the rice-growing South, ruined through long neglect, have been restored. In the dry north the area of irrigation has been doubled and in the Northwest increased by 30%. These are China's major cotton and wheat areas.

General Fu Tso-yi attributed all this to a Government and to "a great heroic people that contribute their enthusiastic labour to building up their motherland." The Government, he said, had shown its concern for the people by the tremendous allocations it had made of funds for these works. Help from Soviet technicians was also a factor, especially in the bigger undertakings.

NOTES OF THE WEEK

HONGKONG CELEBRATION OF TWO ANNIVERSARIES

The past week has seen the celebration of two festivals in the Colony one of which, the Mid-Autumn or Moon Festival, is of ancient lineage while the other, the Third Anniversary of the Chinese People's Republic, is as its name denotes of comparatively recent origin.

To the observer it has been noteworthy that the commemoration of the Communist anniversary was this year carried out with considerably less ostentation than has been the case in the two previous years, and although various meetings and private functions were scheduled very little publicity was given to them. In fact, beyond an official display of the five-star red flags, the Communist emblem was conspicuous by its absence, all the more evident perhaps when the abundant display of October 1950 is recalled. The day passed quietly, with only one clash worthy of note. This took place between workers of the Communist persuasion and former employees of the China National Aviation Corporation, the planes of which are in process of transfer by Civil Air Transport Inc. from Kai Tak Airport to the USA and Manila, following the recently laid down decision in London of the Privy Council. The disturbance however was quickly over with the arrival of the police, and shops in the locality were able to reopen within an hour or two.

The lack of enthusiasm in the minds of the people of Hongkong for China's Red Government indicates that it certainly has not grown in popularity with the passing of years. Possibly this is not surprising, as the Colony forms an unrivalled keyhole from which to view events on the mainland and its residents have been able to obtain a clear idea of what is going on in the neighbourhood.

Furthermore, although since the inception of the People's Republic every effort has been made to control the dissemination of news from Russia, upon which the former is modelled, it has become known that Soviet citizens are left little choice in their way of life. They are controlled down to the minutest details of everyday life; they cannot travel even in their own country without permission; they cannot read or discuss the books they like without fear of being accused of a "subversive attitude". The only thing they are allowed to do is to work and to work hard, and even that is under strict control. This knowledge which in spite of barriers is becoming known throughout the world and more slowly in China has undoubtedly affected Hongkong also and accounts for the

absence of rejoicing at the anniversary, especially as the recent severe purges of private traders and the regimentation of the people in China are common knowledge for the residents of the Colony whose own relatives are concerned.

However, be the explanation what it may, that Hongkong has not lost its capacity for rejoicing was shown in the celebrations accompanying the Moon Festival of Oct. 3rd. Lovely weather and a glorious full moon in a sky only slightly obscured by clouds aided the holiday feeling. The Peak tram was as usual worked hard all day and late into the night, additional trams being run to cope with the crowds who desired to go to the top of the Peak to view the moon, free from the obstructions provided by the crowded city below. Numbers also pursued their way on foot, climbing steadily the 1800 feet to the top and to the view they sought.

It was clearly evident that the HK Chinese at least do not consider it necessary to cumber their existence with debatable political subjects when a holiday is in the air. The superstitions attaching to the traditional mooncakes and other emblems commemorating the Moon Festival though ancient and now meaningless still have a stronger hold upon them than some modern anniversaries, especially when they are left free to observe their festivals and are left untrammelled by the doubtful political path along which they are compelled to tread in China.

* * *

FAR EASTERN AFFAIRS AT UN SECURITY COUNCIL

The UN Security Council has now concluded its lengthy debate on applications for membership to the United Nations without recommending the admission of a single new member. On September 19 it rejected the applications of Viet-Nam, Cambodia, Laos, and the Democratic Republic of Viet-Nam. France had presented the first three applications. They were supported by ten representatives, but vetoed by the Soviet Union. The fourth was presented by the Soviet Union and received ten adverse votes; it was supported only by the Soviet Union.

Soviet representative Yakov A. Malik said he had voted against the applications of Viet-Nam, Cambodia, and Laos, because they were puppet regimes established for aggressive purposes and in order to deprive the peoples of Indochina of freedom and independence. In rejecting the admission of the Peoples Republic of Viet-Nam, several members of the Council agreed with the views of the French representative Henri Hoppenot who had said his government "not being aware of the existence of such a state considered that the question of its admission should not be raised". In support of his case for the admission of Cambodia, Laos, and Viet-Nam, Mr. Hoppenot said the evolution of the three from French Trusteeship towards independence has been achieved in less than four years. "The three states with their ancient and glorious culture would enrich the common work of the nation", he said.

Answering a statement by Mr. Malik that the French Government had signed an agreement with the Democratic Republic in March 1946, Mr. Hoppenot said France had concluded two instruments with the Republic that year, one, a preliminary convention, the other, a Modus Vivendi. It was not the fault of France if the republic later violated the second instrument and "after progressively disintegrating, ceasing to be the qualified representative of the country and becoming the spokesman of a minority group, finally took refuge in the jungle". "Governments may disappear, the state remains", he said. The French representative added that France dealt with the state of Viet Nam and not with the Viet Minh Party. His views were supported by the representatives of the United States, United Kingdom, and China (Taiwan).

The Council had considered 19 out of 21 applications, the remaining two being from the Republic of Korea and the Democratic Republic of Korea, on which no resolutions had been presented.

With regard to the question of Kashmir, Dr. Frank P. Graham, UN representative to India and Pakistan, reported failure of the two countries to attain any further substantial agreement. The problem has narrowed down to the prerequisites for an agreement on a plan of demilitarization, namely, agreement on the number and character of forces to remain on each side of the cease-fire line at the end of the period of demilitarization, or second, to declare that the forces to remain on each side of the cease-fire line should be determined in accordance with the requirements of each area.

The report on Kashmir contained no recommendation to the Council. It said "After two weeks of discussion it was evident that agreement could not be reached at this conference on any of the revised drafts presented for consideration". The chief reason for the opposed positions of the two parties lay in their differing conception of their status in Kashmir. "This more than anything else is the origin of their interpretations in regard to their commitments".

These conceptions are one, that India considers herself legally responsible for security in Kashmir because the states accession was illegal and two, that Kashmir had previously entered into an agreement with Pakistan, which debarred the state from entering into any kind of agreement with any other country. Pakistan therefore claims equal status with India.

As in his last report Dr. Graham emphasized the importance of the role of the plebiscite administrator. His induction was the heart of the integrated programme for demilitarization and the plebiscite. Under the final version of his revised proposals the two parties would agree that this induction should take place not later than the last day of the demilitarization period. Both countries made qualified acceptance of the proposal.

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HONGKONG INDUSTRY PROBLEMS

The reemergence of Japan as Asia's principal industrial power has had its effect on many manufacturing centres in the world and Hongkong is no exception. Many local manufacturers have studied the implications of the return of Japan and have come to different conclusions, some holding that for certain limited ranges of manufactures there is nothing to be afraid of while others are taking a more pessimistic attitude and feel that, with a few exceptions, Hongkong as a centre for light industrial products in East Asia will not be able to continue even with Empire markets treating local products preferentially. The discussion has recently become wider and more intensive and factory owners have shown growing concern; this also because of the shrinking of international markets and the general effect of the trade recession here which has not helped to build up morale.

Mr. U Tat-chee has in the past been very active as a spokesman of local industry and his various tours in East and West have helped to open up new or retain old markets. A young but very resourceful industrialist is Mr. Wong Tok-sau who manages the leading food canning factory in the Colony, the Amoy Canning Corp., who also have factories elsewhere in the Far East. Mr. Wong has given much thought to the general problem of Hongkong' light industry as it developed after the war. His own enterprise is flourishing and expanding but he finds that many other branches

of manufacturing here are languishing and operated at no profit. Mr. Wong is of the opinion that local industries whose products are destined to be exported should if they hope to remain in business adopt four principles and act according to them. These four principles of operation are: to standardise all products and avoid sacrificing quality for price; to be prompt and punctual in delivery; to abandon any "get-rich-quick" idea of profiteering and to seek continuous improvement of output through incessant study and research.

The manufacturing industry here, according to Mr. Wong, experienced a period of prosperity after the end of World War II when demand for consumer goods was keen throughout the world, and particularly in Southeast Asia. The stream of removals of factories from China, following the political upheaval in 1946-49, added impetus to the boom and turned Hongkong into an industrial centre. This boom was short-lived and began diminishing with the return of normal conditions. Signs of difficulty were from 1949 ahead and it was realised that manufacturers in Hongkong would have to face keen competition. The near saturation of purchasing power in the world was apparent then and the revival of Japanese and European industry overshadowed local industry. Since last year the productive capacity of Japan and of Western Europe have been enhanced. On the other hand, trade conditions in Southeast Asia have been on the downward trend. The trade situation has been rendered more difficult by the embargo imposed by the United States on strategic materials to Communist countries, as well as by trade restrictions practised in many Southeast Asian countries.

This unfavourable situation took a turn for the worse since the beginning of this year when dumping of Japanese goods in Southeast Asia and the strong competition among manufacturers became more severe. The facility of obtaining raw materials and of favourable marketing conditions previously enjoyed by manufacturers in Hongkong came to an end. These unfavourable developments cannot yet be termed a crisis, in the view of Mr. Wong, though some people are inclined to think so. The difficulty arose mainly from the readjustment from a postwar seller's market to a buyer's market. Coupled with import and export controls, foreign exchange curbs and political factors, this had made the situation more serious. Manufacturers cannot but face this reality squarely and make an effort to turn out better products at cheaper costs. In the face of strong competition the question of survival is of immediate concern to all manufacturers.

Local industrialists will have to assume the responsibility of turning out quality products but protection and encouragement from the government as well as guidance and supervision from fellow manufacturers are equally imperative. There must be also more sympathetic and close cooperation from bankers.

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ANGLO-JAPANESE TRADE

Owing to the exceedingly big volume of purchases of Japanese goods from the Sterling area, Japan's Sterling reserve has been piling up since the abolition of the Dollar clause last September. The Japanese Government has been trying to utilize its excessive Sterling for importing necessities from the Sterling area, but this proved in vain due to the curtailment of exports from the United Kingdom to Japan.

Japan had only £38,000,000 in reserve at the time of signing the Anglo-Japanese Agreement in August, 1951. In a little over four months' time, this amount was almost doubled and at the end of June 1952, it reached £126,889,000. As long as this situation exists and the peculiar account is left unbalanced, Anglo-Japanese trade can never be smoothly carried out, with the result that this handicap impairs the progress and prosperity of industries and commerce of both parties concerned.

It is ironical that Japan has a surplus of Sterling while it is lacking U.S. Dollars. Many British merchants believe to see in Japan a future commercial foe as formidable as it was before World War II. Japan has been built up throughout more industrially than agriculturally. Before the War, it used to import many raw materials from China. However, as the door to Sino-Japanese trade is not yet open under the present political situation, it has to turn to the United States for such supplies. Contrary to its wish, it is now compelled to rely more on the exploitation of own resources as a result of the shortage of U.S. Dollars. However, under certain agreements with the Japanese government, the U.S. government has been supplying the Japanese factories with such raw materials as required to execute the orders placed by the U.S. for the manufacture of ammunitions and other military supplies used in the Far East. This lack of U.S. foreign exchange constitutes a serious problem to the Japanese government, and it is also the main reason why financial authorities discourage exports of merchandise to the Sterling area, while they try to boost exports to the United States.

As far as the finances of Great Britain are concerned, it is advisable to wipe out the indebtedness to Japan at an early date by lifting all export restrictions and accelerating exports of Sterling area goods which Japan desires to import, such as: sugar, wheat, barley, raw cotton, iron ore, scrap iron, etc. It is hoped that thus the above-mentioned balance of £126,889,000 in Japan's favour will be offset and the purchasing power of Sterling will be properly enhanced. On the other hand, Japan will be required to promote exports to the Sterling area in order to balance its trade in future with the United Kingdom.

Japan recently decided to increase imports from the Sterling area in the light of her excessive Sterling reserve and at the same time to restrict exports to Sterling areas. Suggestions for obtaining this end were as follow: 1. To expand the Emergency Materials Import Special Account. 2. To revive the Export Adjustment Fund. 3. To lower warehouse charges, rate of interest of foreign exchange on loans to importers, etc.

The Japanese Ministry of Finance has been considering to take the following steps: 1. The scope of items for which Sterling loans will be extended is to be expanded. 2. Loan terms will be extended. 3. The current interest rate of 3 percent per annum on Sterling loans to banks and that of 4 percent to business firms will be reduced to 2 percent for both.

Japan has asked Britain to relax all export restrictions in the Sterling area in order that a fair volume of trade between Japan and the United Kingdom can be conducted. Besides, Article II of the Anglo-Japanese Payments Agreement should be abolished in the light of the British-American crossrate for trade between Japan and the Sterling area. Transactions should be based on the prevailing rate of exchange.

The existing Anglo-Japanese Payments Agreement has been extended for four months till the end of December 1952, by mutual consent. The Japanese Foreign Office is to initiate talks later this year with a view to settling various issues. The delay in opening the talks was due to the fact that the United Kingdom was preparing the conference of the Commonwealth Prime Ministers and the conference of Finance Ministers, while Japan had to participate in various international conferences and to prepare for the general elections.

— Shen Tao-Ming —

* * *

COMMONWEALTH LEAD IN WORLD TRADE

What is the position of the British Commonwealth in world trade today? With a few exceptions, it can be said that as far as agricultural production is concerned, the Commonwealth has not only maintained its traditional place

but has in some cases strengthened it in recent years. Considering the many diversified elements in the Dominions and and Colonies, an overall picture could not be easy to present, but the Commonwealth Economic Committee, an authoritative body representative of all parts of the Commonwealth, has accomplished the task with considerable distinction in its 35th report: "A Review of Commonwealth Agriculture: Production and Trade." The aim has been not only to analyse and summarise the recent development of agricultural production, but to indicate its main trends and general factors which affect or may affect them.

At a time when Australian food production is showing an alarming decline and other sources of supply for Great Britain are not readily apparent, it is encouraging to have the Committee's conclusion that, compared with the position just before the war, the volume of agricultural output has expanded, sometimes appreciably, in most Commonwealth countries except India. The increase has been especially marked for coarse grains, sugar, tea and rubber. On the other hand, cotton, tobacco and butter are examples of commodities showing a reduction of total output. Still, nearly all the world's supply of jute, most of the tea, about half the cocoa, wool, rubber and rice and a quarter of the sugar, wheat and butter are produced in the Commonwealth.

With populations everywhere increasing rapidly, larger proportions of food products are being absorbed by the producing countries. Nevertheless the ratio of Commonwealth exports in world trade is in many cases even higher than that of Commonwealth production in world output. While Commonwealth exports of wheat have fallen somewhat below the prewar average of nearly one-half of the world output (mainly because of large increases in exports from the United States), the Commonwealth now takes a much bigger share than formerly in the trade in oats and barley. Similarly, exports of meat from Australia, New Zealand and Canada, totalling about 25 per cent of world trade before the war, have in recent years risen to one-third, while Australia and New Zealand have maintained their exports of mutton and lamb at four-fifths of the world total. Moreover, the Commonwealth trade in canned meat, stimulated by war-time conditions, has recently represented over one-quarter of the world aggregate.

In spite of the manufacturing expansion to which the war gave such a great fillip in the Dominions and many of the Colonies, agriculture remains the largest industry of the Commonwealth, and in practically all countries it contributes more to the national economy and employs more people than any other industry. But the war also brought considerable changes in the pattern of agriculture, which have been reflected in trade developments, along with other factors such as changed levels of consumption as a result of rationing, bulk purchase contracts, currency difficulties and shortages of staple products.

The United Kingdom has remained the main market for the agricultural exports of practically every Commonwealth country except certain Colonial territories. In nearly every case, however, other markets, in particular the United States, Western Europe and Commonwealth countries apart from the United Kingdom, have become relatively more important. None the less, more than half the United Kingdom's agricultural imports in the postwar years have been from the Commonwealth—a rather higher proportion than before the war. Among the commodities for which substantial increases for the Commonwealth have been recorded are wheat, eggs, coffee, tobacco, rubber and wool, while there have been appreciable reductions in feeding stuffs, meat, butter, fruit, jute and cotton.

Trade in agricultural products between Commonwealth countries other than the United Kingdom has increased in overall volume compared with before the war, and changes have occurred in the nature of the trade and in its direction. These developments, on the export side, are seen particularly in increased movements from Australia, Ceylon and Malaya, and, on the import side, are the result of the heavier requirements of some countries, for example, India and South Africa, for certain staple commodities formerly met from home production.

The imports of agricultural products from the Commonwealth into the United States, representing about one-quarter of the total agricultural imports of that country, have shown a sixfold increase in value since before the war. The increase has included not only rubber, cocoa, spices, hides and skins, for which the United States is the Commonwealth's main market, but also wool from the Southern Dominions. Western Europe has also been more important than formerly as a market for Commonwealth agricultural products.

How far these trends will be continued in the future cannot be predicted with certainty. Already, in 1951, when the Committee's report was in preparation, agricultural products, in common with other commodities, were affected to a special degree by international, political and economic developments. In particular, the effect of rearmament not only on prices, which for many staple products rose sharply, but also on supplies of agricultural requisites is clearly a factor which will have an immediate bearing on the future course of Commonwealth agricultural production and trade.

* * *

INCREASED SPENDING ON RESEARCH AND DEVELOPMENT BY BRITISH INDUSTRY

British industry is spending about half as much money again on research and development than was the case five years ago. A survey of some 300 companies in seven industrial groups—electrical engineering; mechanical engineering; chemicals; metals; scientific instruments; food, drink and tobacco; and materials, shows that an average of about £80,000 per annum each is being spent compared with £50,000 in 1945-46. The number of qualified staff engaged in research and development has increased by 52 per cent in the same period. The greatest increase—82 per cent—is in the number of engineers engaged although chemists are still the most numerous.

News of vital importance about the application of research to British industry was given by Professor A. V. Hill that a research committee is to be set up by the British Association which may save ten million tons of coal a year in U.K. industry. The committee which will deal with the application of original scientific discoveries to industry has been formed as a result of a general feeling that whereas a great deal of effort was being put into fundamental research, one of the big problems was the application of these results to industry. Mr. M. G. Bennett, general Treasurer of the British Association, said that an estimated 30 million tons of coal a year are being burned in quite small industrial furnaces. "One knows perfectly well how to burn that in a very much more efficient way than at present. If efficiency could be increased by only a few per cent, 10 million tons of coal would be saved which could be exported or used to make something else efficiently."

* * *

ECONOMIC DEVELOPMENT PLAN FOR CEYLON

Recommendations for the economic development of Ceylon were recently made in the report of a mission to Ceylon organized by the International Bank for Reconstruction and Development at the request of the Government of Ceylon. The Chief of the mission was Sir Sydney Caine, Vice-Chancellor Designate of the University of Malaya and former head of the British Treasury and Supply Delegation in the United States and Financial Secretary of Hongkong Government.

The mission states that Ceylon's resources in land, materials and money, although limited, are sufficient, if wisely managed, to meet the needs of the growing population, to improve the standard of living and to add permanent strength to the economy. To this end the mission recommends a Six-Year Program of Development to begin in October, 1953, following completion of Ceylon's present six-year program.

For some generations past Ceylon's productivity has maintained a lead in the race with population. Today, the odds in the race are shifting. Ceylon now has one of the highest rates of population increase in the world—2.4 per cent a year. If the tempo of progress is to be maintained, Ceylon is faced with the immediate task of expanding and diversifying the utilization of her productive resources.

The program recommended by the mission gives priority to the increase of agricultural production. Two methods for achieving this are stressed. The first is the improvement of existing agricultural techniques. Ceylon should exert every effort to improve yields of rice and other food crops through education, research, publicity, demonstration and assistance to growers. Activities requiring special attention include methods of cultivation, transplanting of rice, use of fertilizer and more economical use of irrigation water. The second method is the opening of new lands through irrigation, jungle clearance and colonization. Of Ceylon's total area of about 16,250,000 acres, there is an uncultivated area of potential development nearly as great as the 3,500,000 acres now under cultivation. However, because most of the unused lands are in the dry zone or in inaccessible or less fertile parts of the wet zone, those lands can produce roughly only half as much as the area now growing crops for domestic consumption.

Apart from direct investments in agriculture, substantial investments are proposed for transport improvement and for power and industry. Industry will be a secondary contributor to the national income. In the more distant future the further growth of national income and living standards will depend upon much increased employment in industry. The next six-year period must build the foundations for that development by research and education, and by fostering a variety of new industries not individually involving too heavy investment of capital and resources.

Possibilities of hydro-electric power are smaller than is often supposed.

The basic program calls for a capital expenditure over the six-year period 1953-1959 of Rs 1,600 million. This level of expenditure is within Ceylon's reach, given proper utilization of internal resources both public and private, and prudent use of external assets and borrowing power. Also, the government has the administrative and technical staff to manage a program of this size economically and efficiently.

The establishment of three new development agencies is recommended:— (1) An Economic Committee of the Cabinet to be aided by an economic planning secretariat. This Commitee would have the task of pulling together the planning of development as a whole, supervising the necessary general surveys, and co-ordinating requests for external technical advice. (2) An Institute of Applied Research. This, through technical research and enquiry, would provide knowledge about the real potentialities of local materials and about the adaptation of modern techniques to local circumstances. (3) A Ceylon Development Corporation, an autonomous financing agency, with capital participation by government, commercial banks and private individuals. The Corporation would provide the finance necessary to initiate new projects in industry, agriculture or miscellaneous business and to assist the progress of promising ventures already started by individual enterprise; and would furnish or arrange for managerial and technical assistance to new ventures or to others in need of it.

* * *

DOMESTIC AND FOREIGN CAPITAL IN FAR EAST

The difficulties in the Far East militating against a successful mobilisation of domestic capital have considerably increased during the last year. The prices of a number of commodities, on which many countries depend for their foreign exchange earnings, have slumped and the balance of payment position has in many cases changed for the worse. Incomes have fallen and government revenues are showing a downward trend, whereas a year ago balance of payments were still favourable, incomes relatively high and government revenues buoyant.

Many countries in the Far East have pushed voluntary savings through such institutions as postal savings, time deposits, life insurance companies and formation of industrial companies, but their general level is still low, particularly in rural areas. Community leaders should help arouse mass consciousness of the need to sacrifice present consumption for future benefit. Promotion of a mass sense of austerity and of putting money into savings should be fostered particularly in countries where the vast majority of the people are poor.

A considerable gap is expected in the near future to develop between government receipts (which are falling) and government expenditures (which are rising, because of various development projects to be carried out from public funds). To cope with this situation governments will have either to increase receipts by borrowing or by taxation, or they will have to cut down expenditure. There is a pressing need to raise resources by taxation or non-inflationary borrowing, since economic development projects because of their vital necessity should not be reduced and because generally there is only a small scope in the reduction of current expenditure. In order to increase public funds there should be improvements in the collection of taxes; establishment of a more vigorous social security system; selected increases in taxes; and revision of the entire tax structure in various countries by a tax commission. Most important is the maintenance of an efficient and incorruptible civil service.

For promotion of economic activity two forms of corporations are of special significance in East Asia: the finance corporation which is primarily concerned with long-term loan capital, and the development corporation which is concerned primarily with equity capital and assumes responsibility for fostering and managing specific companies as well as providing financial support. Establishment of such institutions is desirable, for it would fill a gap in the financial structure of some of the countries of the Far East and would provide long-term finance for industry, agriculture and housing. There remains an acute shortage of medium and long-term credit facilities for agricultural development.

There is now greater readiness than earlier to encourage investment of foreign capital, and it is generally recognised that foreign capital has a significant role to play in the mobilisation of domestic capital. Favourable conditions under which foreign capital might be attracted must be created. Of all Eastern countries it is now only Japan which was in a position to assist other countries particularly when it concerns the financing of such projects as would result in an increased flow of materials to Japan. Japan also extends export credits for the purchase of Japanese equipment.

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LIGNITE PRODUCTION IN EAST ASIA

Asia's coal production is small. Excluding Soviet Siberia, it did not amount in 1951 to more than about 22%

of the US production, 50% of the British production, and it about equalled the production of Germany. However, many parts of Asia are rich in lignite or brown coal, which has for a long time been successfully mined and used in other parts of the world, especially in Germany and Australia. Many Far Eastern countries have realized the importance of lignite for economic development, and Burma, Pakistan, Thailand, and India have taken steps to develop their resources. Many of the East Asian lignite deposits are of good quality. Ash, moisture and sulphur contents are in most cases fairly low for this type of fuel and the calorific value is fairly high.

The development of lignite resources is not a simple matter. It took Australia almost forty years to develop her lignite industry to its present position. Investigations in the Madras lignite deposits in India were started more than ten years ago, but have only now reached the pilot project stage. Every lignite deposit has its own characteristics and there is no single formula to solve all the problems involved. One of the major problems in Australia and Denmark was to convert into lignite-burning installations, the combustion appliances in power plants and in industries, originally designed for burning more mature, harder and slower burning coals.

The lignite in East Asia like all other lignites are generally non-coking. The fine lignite does not tend to bind together on the firebars and large quantities readily fall through them unburnt. Their highly volatile nature renders controlled combustion more difficult in the limited combustion space normally available. The high percentage of sulphur in some of the lignite deposits is liable to cause corrosion of the furnace installations. These, together with other factors, make special designing of combustion appliances necessary. Lignites generally oxidize more rapidly than coal on exposure to air and this causes heating of the exposed parts of seams, resulting in spontaneous combustion.

The urgency for exploratory work in the field of lignites has been increased as a result of the changed political and transport conditions after the war. Before they achieved their independence, Burma, Pakistan and India were all in the same family. It was not economical for Burma to develop lignite deposits in the Upper Chindwin area when Bengal coal was available to the Rangoon market. The picture is now different. Efforts are being made even in India, which is richly endowed with high grade coal, to develop the lignite deposits of Madras. This is done not because the bituminous coal reserves of India are limited, but because south India lacks what is called good coal fields.

Interesting explorations are now being made in Thailand. This country has never had any coal production but growing industrialization and need to preserve wood supplies have forced her to look out for indigenous fuel resources. In the past two years the Thai Ministry of Industry, in co-operation with the U.S. special technical and education mission, has taken steps to develop lignite resources for power stations and railways. Particular attention has been paid to the deposits in Krabi in the south and the Me Moh area in the province of Lampang in the north.

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ELECTRIC POWER IN FAR EAST

Growing attention is now being paid in Far Eastern countries to the question of increasing and expanding electricity supplies. Planning commissions and national economic councils have been established to prepare short-term and long-term comprehensive development plans, and it is expected that by about 1956 the power production capacity of East and Southeast Asia will be doubled, and in some cases trebled, as compared with 1949. However, even this progress will by no means be sufficient. Demand is constantly outstripping supply, especially in towns, whereas in rural areas electricity is for the most part still a dream of the future.

Only about 2% of East Asia's immense hydro resources are utilized. Supplies of high-grade coals are limited, but large reserves of inferior coals are known to exist. Examples in Germany, Czechoslovakia and Austria have shown that low grade coals can be successfully used. Solid fuels consisting of inferior coals are adequate to meet substantial increases in the demand of Far Eastern countries for thermal power production. The thermal resources in these countries for power production would be ample.

Rural electrification is of vital importance for East Asia to increase agricultural production by the use of electrical pumps for irrigation and other electrical equipment. Therefore electricity should be increasingly used to revive the cottage industries by mechanization so as to give the agriculturist gainful employment in the off-season.

Whereas electrification in urban areas is a paying proposition, rural electrification presents special financial and technical problems. The demand per consumer is small because of the low standard of living, and it is difficult to supply power at economic rates. Some 5 or 10 years are required to make newly installed rural electricity pay its way. So far, progress achieved in rural electrification in East Asian countries has been extremely small, except in Japan where 97.5% of all the villages and towns have been electrified. Japan is one of the foremost countries in rural electrification in the world.

The following figures illustrate East Asia's present power supply situation in comparison with the supplies available in some of the western countries. In 17 East Asian countries the per capita generation of electricity averaged only about 14 kw as against 3,580 in Canada, 1,990 in the United States, 1,580 in Sweden and 1,020 in Britain. The figure for Japan is 446, less than one seventh of the Canadian production.

Total electricity production of the East and Southeast Asian countries, excluding Communist China, in million kwh adds up to 43,644, as compared with 291,100 in the United States, 50,624 in Britain, 45,048 in Canada, and 10,581 in Sweden. Major East Asian electricity producers are Japan 36,007, India 5,103, Federation of Malaya 600, Philippines 459, Indonesia 362, Hongkong 293, Burma 182, Pakistan 164, Singapore 158. Thailand's electricity production was 53.8 million kwh or about 3 kwh per head of the population.

The total installed capacity of the East Asian countries per 1,000 population was 315, compared with 620 in Canada, 436 in the United States, 425 in Sweden and 291 in Britain. Japan's installed capacity per 1,000 population was 108, Hongkong 68, Taiwan 47, Singapore 37, Malaya 26, Ceylon 7,6, Philippines 6,9, India 4,5, Indonesia 1,8, Pakistan 1,12.

POWER PLANT INSTALLED AND ENERGY GENERATION

Country	Installed Capacity	Generation	
		Total Million	Per Capita
	1000 KW	KWH	KWH
Burma	36	182	6.8
Ceylon	54	81	11.4
Taiwan	304	—	—
Malaya	131	600.6	120.0
Hongkong	110	293	163.0
India	1537	5103	15.0
Cambodia & Laos & Viet-Nam	79	182	6.8
Indonesia	140	362	4.8
Japan	8701	36007	446.0
Pakistan	82	164	2.2
Philippines	132	459	23.9
Singapore	37	158.3	158.3
Thailand	28	53.8	3.0

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BURMA'S ADVANCE WITH INTERNATIONAL HELP

All of East Asia has a large stake in the animal disease control work currently under way at the Veterinary Research

Laboratory at Insein, near Rangoon, Burma. The shortage of rice is the greatest single problem facing the whole area. Burma before the war had a total of 12 million acres under rice production, producing 5 million tons of rice, 3.5 of which were exported. The export figure for 1950-51 was estimated at 1,400,000 tons, a fraction of the pre-war figure. The restoration of Burma's rice economy to the prewar level would mean much to East Asia. To do this, however, it is necessary to restore three to four million acres of land formerly used for rice cultivation and now lying idle, primarily because of the acute shortage of cattle and buffalo for draft animals.

Before the war, Burma had a cattle and buffalo population of about six million. During the war this number was reduced to 4 million. The latest estimates indicate that there are now around 4½ million. It is estimated that Burma must have at least six million head of cattle and buffalo in order to get her production, especially rice, back to prewar levels. The Government of Burma has recognized the seriousness of this problem by prohibiting the slaughter of all cattle and buffalo. Normally, it could be expected that the animal increase should be about 1 million, but losses due to illegal export, illegal slaughter and disease have reduced this figure to 100,000. By far the greatest part of this loss is due to disease, principally rinderpest.

To combat this problem, the Government of Burma turned to FAO, the U.N. Food and Agriculture Organization, and TCA, the American Point Four Program for help. The Colombo plan will also be called on to contribute. The loss of equipment due to the war and insurrection left the Veterinary Service with practically no equipment for the manufacture of biologics. Thanks to equipment supplied by FAO and TCA this lack has to a large extent been overcome, and more is on the way. But equipment alone cannot manufacture vaccines. Trained technicians are also needed. Recent advances in the production of vaccines of improved effectiveness, particularly in the degree of immunity conferred, the length of such immunity and improved keeping quality, make it possible to control animal diseases more effectively at a lower cost and with less effort as compared with pre-war methods. Personnel of the Veterinary Service had not had an opportunity to learn these new techniques.

As soon as the first phase of the program, the manufacture of vaccines, is in full swing, the second phase, mass immunization, will commence. Later the question of breeding for better animals can be taken up. Already, under the Colombo Plan, Australia is sending a dozen Berkshire boars to Northern Burma for breeding purposes. Many problems, of course, remain to be overcome but thanks to the cooperation between the Government of Burma, TCA and FAO, a good start has been made and what seemed at first to be insuperable obstacles have been removed.

Other countries of the area will be watching Burma's progress with great interest not only because of their need for Burmese rice but also because they may decide to follow her example.

THE JAPANESE BEARING INDUSTRY

History

With the outbreak of World War I in 1914, which afforded Japan the opportunity not only of supplying munitions goods to the belligerent powers but also of replacing the Western powers as the supplier of goods to the Oriental market, Japanese industries enjoyed an unprecedented boom and witnessed the establishment and expansion of numerous companies.

In the case of bearings, for the supply of which Japan was completely dependent on foreign sources, the suspension of their imports from abroad due to the war gave rise to a movement for their domestic production. In order to meet this urgent demand Nippon Seiko K.K. was established in 1916 as the first domestic manufacturer of bearings.

However, up to about 1930 the Japanese bearing industry continued to be in a slump because of the postwar economic depression and the general worldwide recession that had set in thereafter. In the domestic market, the various machinery manufacturing industries, which were the chief users of bearings, were still in a low development stage. The automobile industry especially, which accounted for the highest percentage of the use of bearings, was barely able to maintain existence in the face of keen competition from foreign-made automobiles. In general, the domestic market for bearings was not only small but also dominated by high-grade foreign products. The demand for domestic products was limited principally to the electrical machinery, shipbuilding and textile machinery industries. At that time domestic bearing manufacturers numbered only a few, all of which had a small capital stock and a small scale of production. Under such circumstances, it was impossible for the domestic manufacturers to compete with such large international producer as S.K.F. of Sweden in the quality and price of products.

Thus in its incipient stage the Japanese bearing industry was very weak in both capital resources and market outlets. However, with the Manchurian Incident of 1931 as the turning point and especially after the commencement of full-scale Sino-Japanese hostilities in 1937, the situation changed completely as the result of the reorganization of the Japanese economy on a war footing. In order to boost war production, concentrated effort was directed toward the expansion of, and attainment of self-sufficiency in, the various machinery manufacturing industries, which had remained limpingly backward owing to their dependence on imports. As a result of such effort, there was a sharp increase in the demand for bearings indispensable for the production of various kinds of machinery. On the other hand, the importation of bearings, which had become increasingly difficult owing to the intensification of foreign exchange control regulations since 1937, was completely suspended after the outbreak of World War II and also after the enforcement of the American embargo on machinery exports to Japan. Under such circumstances, Japan had to depend entirely on domestic production for her bearing requirements.

In 1938 a concrete plan for increasing the production of bearings was adopted by agreement among the Ministry of Commerce & Industry, War Ministry, and Navy Ministry as a complement to the 3-year plan for the expansion of the production of aircraft, automobiles and machine tools. The 3-year plan for bearings called for a six-fold increase in the productive capacity for bearings (by Nippon Seiko K.K., Toyo Bearing Seizo K.K., Koyo Seiko K.K. and Fujikoshi Kozai Kogyo K.K.), with steel balls to be supplied by Amatsuji Kokyu Seisakusho, Nippon Seiko K.K. and Fujikoshi Kozai Kogyo K.K. Thanks to priority treatment accorded to the industry with respect to allocation of funds, materials, labor, etc., production exceeded the target set by the 3-year plan. Following the outbreak of the Pacific War in December 1941, a 5-year plan was adopted and enforced vigorously by adding Asahi Seiko K.K. to the list

of the above-mentioned four companies in order to meet the big demand from the aircraft industry.

After 1930 the production of bearings in Japan had increased at a steady and rapid pace, as may be seen from Table I showing the output by the five principal producers, who had accounted for 90-95% of the total national output. After 1940 the production doubled in value each year, reaching the peak amount of Y314,071,000 in 1944, which amount was about 22 times the prewar (1937) figure.

TABLE I

PREWAR AND WARTIME PRODUCTION OF BEARINGS IN JAPAN

(Selected years)

Calendar year	Quantity (1,000 pcs.)	Amount (Y1,000)	Index number *
1930	255	1,127	9
1935	845	4,449	37
1937	2,078	11,985	100
1939	5,719	48,311	317
1941	13,336	100,003	642
1944	35,026	314,071	2,240

* Adjusted by the average price index of the representative types of bearings, taking 1937 as the base year.

With the intensification of air-raids since the end of 1944, however, this phenomenal increase in production was reversed thereafter. Although the direct damage sustained by this industry from air-raids was only about 20% of the equipment capacity, production rapidly declined because of dispersion of factories and derangement in production due to the air-raids. When the war came to an end in August 1945, production was completely suspended.

Thus the Japanese bearing industry developed principally under the generous protection and assistance of the government as a "lever" for increasing munitions production. This dependence on government protection and assistance was attributable to the fact that the automobile and aircraft industries, which were closely related to the bearing industry, had to be operated on a munitions basis because of the absence of a self-developing basis under the restriction of such natural and economic factors as smallness of market, paucity of capital accumulation and low standard of living. Consequently, the collapse of the munitions production structure of this country upon the termination of the war meant the loss of the greenhouse environment that the bearing industry had enjoyed before and during the wartime. Nevertheless, under the wartime program, the production scale of the industry had been expanded to enable each company to operate on a mass production basis. Having gained experience in manufacturing superprecision products for use in aircraft engines, machine tools and special war weapons, this industry had also reached a fairly high technical level. Thus it may be said that under the impetus of the last war, the Japanese bearing industry was able to build a sufficiently solid foundation for self-development.

Production in the Postwar Years

In general, the Japanese economy fell into a standstill upon the termination of war. In the case of the bearing industry in particular, the blow was most serious because of the disappearance of munitions demand which had constituted the prop and stay of its development. Added to this, SCAP Directive of August 1946 designated for interim reparations all facilities for the production of precision bearings for use in aircraft, in guns and in other weapons of war in excess of the capacity necessary for the annual production of bearings valued at Y32,500,000 (based on their average prices during 1943 and 1944 inclusive). In other words, bearing manufacturing facilities corresponding to about 86% of the total wartime capacity were designated for reparations. As this designation included the ten leading companies with 27 plants in all (including parts manufacturing plants), it had a shocking effect on the reconstruction attempt of these makers.

However, subsequently the reparations restrictions on the use of the facilities were gradually relaxed and it is now quite certain that their reparations designation will be rescinded upon the coming into force of the Japanese Peace Treaty.

Output and Operating Rate.—Despite such unfavorable factors in the postwar period, the production of bearings gradually recovered under the impetus of the rehabilitation of related industries and the resumption of foreign trade on a private basis. Table II gives the production statistics for the years 1946 through 1951. By creating special procurement demand for Japanese goods and services, the Korean war, which broke out in June 1950, directly and indirectly provided this industry with an opportunity to rally itself. In June 1951, the production of bearings registered a postwar high of Y6,924 million computed on an annual basis (5,460 metric tons; 16,188,000 pieces), which was nearly equal to the 1940 level of production. The operating rate for the month also increased, but it was not yet high enough, being only 65% of the total annual operable capacity of 7,428 metric tons out of a total equipment capacity of 14,443 metric tons as of July 31, 1951.

Number of Manufacturers—In the postwar period, some of the bearing manufacturing companies had turned to diversified operations by undertaking the manufacture of bicycles, sewing machines and other products, besides bearings, but a complete change-over could not be effected because the machinery for bearing manufacture was unsuited for other purposes. As in the wartime, the principal bearing manufacturers at present include Nippon Seiko K.K., Toyo Bearing Seizo K.K., Koyo Seiko K.K., Fujikoshi Kozai Kogyo K.K. and Asahi Seiko K.K., which together account for more than 90% of the total national output of bearings. This concentration of production in the hands of a few companies is chiefly attributable to the fact that technical requirements for mass production and high-degree of precision render relatively large-scale plants advantageous over

TABLE II

POSTWAR PRODUCTION OF BEARINGS IN JAPAN

Calendar year	Ball bearings			Roller bearings			Others*			Total		
	Units (1,000 pcs.)	Weight (metric tons)	Value (Y1,000)	Units (1,000 pcs.)	Weight (metric tons)	Value (Y1,000)	Units (1,000 pcs.)	Weight (metric tons)	Value (Y1,000)	Units (1,000 pcs.)	Weight (metric tons)	Value (Y1,000)
1946	5,252	1,732	208,101	609	680	64,316	1,540	417	33,551	7,401	2,829	305,968
1947	4,120	1,369	218,723	551	765	116,559	1,204	334	64,424	5,875	2,468	399,706
1948	4,885	1,522	573,830	996	1,004	354,363	1,754	504	160,256	7,635	3,030	1,088,449
1949	7,163	2,190	1,061,154	1,626	1,241	814,016	1,564	421	171,262	10,353	3,852	2,046,432
1950	10,462	2,448	1,316,949	1,395	1,462	839,506	919	241	89,014	12,776	4,152	2,245,469
1951	12,908	2,630	3,128,059	2,247	1,908	2,480,514	1,357	300	199,140	16,512	4,868	5,807,713

* Comprise products (principally ball bearings) manufactured by small makers.

TABLE III

OUTLINE OF THE PRINCIPAL JAPANESE MANUFACTURERS OF BEARINGS

(As of January 1, 1952)

Name of Company	Capital stock (Y1 million)	Plants	Recent dividend rate p.a.	Stock price per share (Y50) June 1950	June 1951	Jan. 1952	Output of bearings in 1949 1,000 pieces	% of national output	Products	Brand
Nippon Seiko K.K.	Y400	Tokyo Fujisawa	20%	Y 27	Y 53	Y 95	3,972	38.4%	Ball bearings Roller bearings Steel balls	NSK
Toyo Bearing Seizo K.K.	200	Kuwana Hyogo-ken	20%	30	58	102	1,689	16.3%	Ball bearings Roller bearings	NTN
Koyo Seiko K.K.	100	Osaka Tokyo Takamatsu Tokushima	20%	26	51	96	1,240	12.0%	Ball bearings Roller bearings Sewing machines	IKF
Fujikoshi Kozai Kogyo K.K.	200	Toyama	0	20	41	68	868	8.4%	Ball bearings Roller bearings Steel balls Tools Special steel	NACHI
Asahi Seiko K.K.	20	Osaka	15%	—	—	—	408	3.9%	Ball bearings	SKI
K.K. Amatsuji Kokyu Seisakusho	75	Osaka	30%	16	100	90	—	—	Steel balls	AKS

small-scale plants. An outline of the five principal bearing manufacturers is given in Table III. Owing to the mushrooming of small makers to take advantage of the delay in the postwar rehabilitation of the principal makers because of reparations designation and other adverse factors, there were at one time a total of 33 companies with 41 factories (included only those factories which produced finished products), but many of them gradually went out of business until by September 1951 there remained in operation 20 companies with 26 factories.

Facilities.—As explained in the section under history, the principal facilities of this industry were expanded after 1938 and consequently, the average age of the machinery in this industry is relatively lower than in other industries. Nevertheless, the majority of the machinery were installed before 1941 (more than 10 years of operation) and have become superannuated by now because of overwork and inadequate repair during the wartime. Moreover, practically all of the machinery installed since 1942 are of domestic make and comprise mostly manual wartime models. Under such circumstances, it appears that from the standpoint of precision efficiency a considerable number of the machinery is already unusable. Such a deterioration of facilities is common to all machinery manufacturing industries of Japan, but in the case of the bearing industry, which demands a specially high degree of precision and a relatively high mechanization of production, leaving very small room for dependence on manual skill, the importance of qualitative excellence of equipment cannot be ignored. In view of this importance, Japanese bearing manufacturers have shown keen interest in the rationalization and modernization of equipment. During the economic stabilization period after 1949 and in the recent period of a favorable turn in business, effort has been made to effect rationalization, which, however, has been limited so far to the repair and improvement of existing machinery and the rehabilitation and operation of excellent idle machinery. The stage of a full-dress rationalization by the installation of up-to-date machinery has not yet been reached.

Materials.—Bearing steel is used as material for making race rings and steel balls, while ordinary steel, cold finished hoop and copper alloy are used for making retainers and accessories. The main material is bearing steel (high-carbon chrome steel). Recently, bearings made of case-hardening steel (low nickel chrome steel) have been experimentally produced, but their full-scale production has not been undertaken because of the difficulty of obtaining such special steel and the small demand for bearings made of this material.

As the output of bearing steel had sharply declined in the postwar period, carryover stock on hand and in warehouses was used for the production of bearings. By the early part of 1951 the supply of bearing steel became quite stringent, but recently its production by such special steel makers as Nippon Koshuha Kogyo K.K., Nippon Tokushuko K.K., Showa Tokushuko K.K. and Sanyo Seiko K.K. has made satisfactory headway, with the result that there appears to be no difficulty in supplying about 25,000 metric tons of bearing steel needed for the annual production of 6,000 metric tons of bearings. The problem seems to lie more in the cost and quality of the materials rather than in their quantity.

There has been a sharp rise in the cost of materials, especially during the one year following the outbreak of the Korean war. For instance, the prices paid for materials by a certain company in August 1951 were higher than the pre-Korea prices (June 1950) by 212% for bearing steel and steel bar (for making race rings), 46% for steel rod (for making steel balls), 200% for ordinary steel, 229% for cold finished hoop and 185% for copper alloy, or an average increase of 200%. The rise in the cost of especially bearing steel has had the hardest effect because of the large quantity needed. To overcome this high cost, measures are being considered for reducing the number of units of materials required for the manufacture of a unit of the finished product by improving the processing technology and by substituting steel pipe for steel bar from which the base material is extracted. Next, though the quality of bearing steel has been standardized under the Japan Industrial Standards (JIS Metal No. 4805), the quality of the postwar domestic product is somewhat inferior to that of foreign product owing to the poor quality of scrap steel used and the defectiveness of quality control technique. In view of the increasing demand for high-grade bearings for use in machine tools and other high-precision machinery, improvement in the quality of bearing steel is being strongly desired by the bearing industry.

Demand and Supply in the Postwar Period

As already stated, the demand for bearings in Japan sharply declined after the war because of the prohibition of the production of aircraft and other weapons following the surrender. Moreover, the huge stockpile of bearings held by the military arsenals and other quarters served as one of the sources of supply in the postwar period, so much so that the supply and demand relationship was deranged. However, production was able to recover to a fairly high level owing to the postwar development of demand from

the railway rolling stock industry and other new sources of demand, the continued suspension of imports from abroad, the development of markets abroad and the additional demand created by the Korean war.

We shall now analyze the postwar demand under the two divisions of domestic demand and export market.

Domestic Demand.—In effecting conversion of the Japanese economy from a wartime basis to a peace time basis, concentrated effort was directed toward increasing the production of food and the recovery of the basic industries (coal mining, electric power development, etc.) and transportation. In reflection of these measures, the sources of demand for bearings also shifted to industries manufacturing agricultural, forestry and aquatic machinery, mining machinery, railway rolling stock and automobiles. With the subsequent progress in the equipment rehabilitation of the textile industry, the demand for bearings from the spinning and weaving machinery manufacturing industry sharply increased. Likewise, the demand from the electrical machinery industry increased. This shift in the domestic demand during the years 1948 through 1950 is shown in Table IV. With the loss of demand from military quarters, the bearing industry in the postwar period has not only suffered a sharp decline in output but also lost stability of production because of the varied qualitative requirements and the diminution of the demand, which rendered difficult mass production on an anticipated demand basis. Especially by the enforcement of a super-balanced budget and the discontinuance of lending by the Reconversion Finance Bank since 1949, the demand from such large postwar users of bearings as the rolling stock and mining machinery industries disappeared, which, coupled with the general tight money situation, served to greatly depress the market for bearings.

TABLE IV

PERCENTAGE DISTRIBUTION OF THE DEMAND FOR BEARINGS IN JAPAN

(1948—1950)

Source of Demand	1948 %	1949 %	1950 %
Railway rolling stock industry	14.6	5.1	6.0
Automobile industry	22.4	32.8	28.1
Textile machinery industry	2.9	5.1	12.5
Electrical machinery industry	5.8	10.3	8.4
Shipbuilding industry	1.2	1.6	0.7
Mining machinery industry	19.5	7.6	1.8
Chemical machinery industry	1.4	1.7	1.3
Iron, steel and metal industry	8.1	9.6	7.3
Machine tool industry	2.0	2.7	6.5
Agricultural, forestry and aquatic machinery industry	5.0	7.0	3.2
Others	17.1	16.5	24.2
Total	100.0	100.0	100.0

Note: The distribution of demand is based on the statistics for the big five producers in this industry.

However, the Korean war which unexpectedly broke out in June 1950 gave rise to special procurements in Japan and general rearmament throughout the world, thereby creating a so-called "Korean war boom." Though the direct benefit from the boom has not been great, the Japanese bearing industry has been able to make a rapid recovery through the prosperity of the industries manufacturing automobiles, iron and steel, textile machinery, mining machinery and other machinery.

Wartime price control on bearings was continued in the postwar period until July 1949. During this time annual revisions of prices were made after 1946 in line with the rise in the general price level due to inflation. Nevertheless, the market for bearings remained weak because of the sharp decline in the postwar demand and the release of large quantities of wartime stockpiles held by military quarters. From Table V comparing the price rise for representative types of bearings with the Tokyo general wholesale price index, it will be seen that, whereas the controlled price for No. 6205 bearing fixed in October 1948 was 30 times the price fixed during the wartime, the general wholesale price index had increased 67 times during the same period. Thus the increase in the controlled prices for bearings was less than one-half of the increase in the general wholesale price index. With the abolition of price control in August 1949, Nippon Seiko K.K., Toyo Bearing Seizo K.K. and other leading manufacturers announced new price quotations which were 10-20% higher than the controlled prices in force up to that time. However, in view of the continued slack domestic market under the economic stabilization program, the prices remained at the level of the controlled prices until the first half of 1950, though price control had been abolished.

TABLE V

COMPARISON OF THE RATES OF PRICE RISE FOR BEARINGS WITH THE INCREASE IN THE TOKYO GENERAL WHOLESALE PRICE INDEX

(Figures denote multiples)

Item	Controlled prices		Free prices				
	Oct. 1942	Oct. 1948	May 1950	Nov. 1950	Feb. 1951	May 1951	Aug. 1951
No. 6205 (radial ball bearing)	1	30	30	41	55	72	82
No. 6307 (radial ball bearing)	1	33	33	43	58	81	92
No. 51306 (thrust ball bearing)	1	34	34	46	61	85	97
No. 30305 (taper roller bearing)	1	33	33	43	57	80	88
Tokyo general wholesale price index	1	67	116	137	157	172	168

Note: Controlled prices were revised in August 1941 and September 1942, but they are omitted in this table.

Since the outbreak of the Korean war, however, the market for bearings has recovered as the demand increased and the released wartime stockpiles became exhausted. Prompted directly by the rise in the cost of materials, as already stated, the price quotations for bearings were increased thrice (February, May and August of 1951) since November 1950, which increases raised the prices to an average of 270% of the pre-Korea prices.

As the result of these price increases as well as the improvement in the operating rate and higher productivity of labor due to increased production, the operations of bearing manufacturers turned for the better, despite the increase in operating expenses. For the semi-annual accounting term ending between February and April 1951, such leading companies as Nippon Seiko K.K., Toyo Bearing Seizo K.K. and Koyo Seiko K.K. were able to declare dividends (15% p.a.) for the first time since the war's end. In the accounting term ending between August and October 1951 each of these companies declared 20% p.a. dividends.

Export Market.—In the prewar, wartime and early postwar periods practically no bearings were exported from this country. However, exports have steadily increased since the resumption of private trade in 1948 (see Table VI) partly because of the slack domestic demand and more because of the good demand from Southeast Asia and other under-developed areas, where industrialization has been pushed forward in the postwar period and where the requirement for bearings could not be adequately met by the prewar exporting countries owing to the necessity of filling the latter's own domestic requirements for economic rehabilitation. Especially in 1950, thanks to greater effort made to promote exports in view of the sluggish domestic demand due to the economic program for the arrestation

of inflation, Japanese exports of bearings equalled 37% of their domestic sale and accounted for 1.4% of the total exports of machinery from this country. However, their exports have been on the decline since reaching the peak in June 1951, owing to the active domestic demand created by the Korean war.

TABLE VI

JAPANESE EXPORTS OF BEARINGS*

(1948—1951)

Calendar Year	Quantity (metric tons)	Value (Y1,000)
1948	78,273	33,955
1949	673,135	247,159
1950	1,248,235	426,904
1951 (Jan.-July)	602,649	275,849

* Include parts also.

At one time toward the end of 1949 small manufacturers competed with each other to export poor-quality products at cheap prices in order to tide over the slump in the domestic market. As this practice brought unpopularity to Japanese bearings, compulsory indication of quality has been enforced since January 1950 pursuant to the Export Goods Supervision Law. Following the further fortification of the export goods inspection system in November 1951, the export of poor-quality bearings has been prevented.

Under the multiple exchange rate system in force at the time of the resumption of private trading in the postwar period, the exchange rate applicable to bearing exports was set at Y320 to the U.S. dollar. The adoption of a higher single exchange rate at Y360 to the U.S. dollar in April 1949, therefore, proved beneficial to this industry and, though the subsequent devaluation of the sterling adversely affected exports to the sterling area, export prices for bearings were generally 10% higher than their domestic prices. Such a condition prevailed until the first half of 1951, but with the rising cost of materials engendered by the Korean war and the consequent rise in the domestic prices of bearings, export prices failed to rise correspondingly, with the result that export business became very unattractive. Though export prices have risen substantially since the outbreak of the Korean war (see Table VII), they are still about 20% below the domestic prices. This disparity between export and domestic prices is believed to be the principal factor responsible for the sluggishness of exports since 1951.

TABLE VII

CHANGES IN THE F.O.B. PRICES OF REPRESENTATIVE MODELS OF JAPANESE BEARINGS

(in U.S. cents)

Model	June 1950	Oct. 1950	Feb. 1951	June 1951	Sept. 1951	Dec. 1951
No. 6205	32	33	37	47	47	53
No. 6208	60	62	69	90	95	—

As shown in Table VIII, the Southeast Asia countries, especially India, have been the principal export outlets for Japanese bearings. Though it is reported that a number of trade inquiries have been received recently from these areas, the amount of export contracts concluded have declined of late due to the low price offered by the prospective buyers. On the other hand, export contracts with buyers in the United Kingdom, U.S.A., Argentina, Brazil and Mexico have increased in amount. Thus the geographical pattern of the export markets for bearings is undergoing a significant change. This growing importance of the areas which were formerly dominated by American and European products is a manifestation of a situation where the reduced exporting capacity of the western countries on account of the rearmament program is being substituted by Japanese products which can be delivered earlier than the former by operation of equipment left idle heretofore.

TABLE VIII

GEOGRAPHICAL DISTRIBUTION OF JAPANESE EXPORTS OF BEARINGS

(1948—August 1951)

(Figures denote percentages)

Country or area	Export shipments 1948	1949	1950	Export Contracts Jan.-Aug. 1951
Korea	41.4	4.1	*	*
Singapore	24.2	0.3	2.0	*
India	31.8	84.7	67.6	18.5
Formosa	0	1.3	7.6	8.0
Thailand	1.2	6.2	5.5	3.9
U.S.A.	0	2.4	1.3	6.4
United Kingdom	0	*	*	12.9
The Netherlands	0	0	*	3.6
Argentina	0	0	4.3	9.7
Brazil	0	0	0.4	6.8
Hongkong	1.4	*	2.2	1.3
The Philippines	0	0.4	2.1	6.0
Mexico	0	0	*	6.2
Others	0	0.6	7.0	16.7
Total	100.0	100.0	100.0	100.0

* Less than 0.1%

Future Problems

Despite the post-Korea recovery of the industry from its postwar slump, its position cannot be said to have been stabilized yet in the light of the recent supply and demand situation. Not only is the present productive capacity of the industry far greater than the domestic demand, but the recent demand has been of such a temporary nature that its continuance in the future can hardly be expected, inasmuch as it has consisted mainly of the demand from the automobile industry, which has benefited from the Korean war special procurements, and from the textile machinery industry, which was favored with orders from the Japanese spinning industry for its postwar rehabilitation. On the other hand, exports which are expected to serve as an adjustment valve for the unstable domestic demand, have tended to be sluggish since the turn of 1951. Under such circumstances, it is quite important and essential that new outlets should be developed.

As future prospects, considerable expectation is placed on the effective demand arising from (1) investment in electric power development projects, (2) fiscal expenditures for the reinforcement of the National Police Reserve and the implementation of other peace-treaty items, (3) procurement of military supplies for the United Nations Forces and American garrison forces, (4) disbursements by the Mutual Security Administration, and (5) disbursements by UNKRA. The expected increase in the production of automobiles and special vehicles through the resumption of military production and the strong possibility of official permission being granted for the production of aircraft and arms are considered as powerful favorable factors for the bearing industry, in view of its past history of connection with these industries. However, unqualified optimistic prediction cannot be made with respect to this point, for the scale and tempo of such military production will depend much upon the future political and economic situations of the world. Moreover, the various problems concerning materials and the obsolescence of facilities due to war may present obstacles to the ability of this industry to meet the new demand thus created. In order to overcome such difficulties as well as to attain stability of operations through active cultivation of markets at home and abroad and through maintenance of a high rate of operations, further effort should be made to rationalize the production of materials in cooperation with special steel makers and to improve the quality of products and lower their prices through the replacement and improvement of the existing equipment.

SOME STRUCTURAL ASPECTS OF THE MALAYAN ECONOMY

By A. C. Palfreeman

Recent Malayan trade statistics must surely have been the cause of a raised eyelid or two in the profit and loss world of the business man, as well as in the more theoretical atmosphere of the blue-print economist. In the first half of this year, from January to June, the Federation of Malaya had an adverse trade balance of roughly £5 million, compared to an active balance last year of £115 million for the same period.

The reason? A fairly rapid drop in the world price of tin and rubber, combined with a less rapid decline in the volume of imports; in other words the big increase in demand for consumer goods engendered by last year's favourable terms of trade has not adapted itself so rapidly to this year's decreased earnings; many consumers are therefore living off last year's profits. The actual figures show that the total value of imports for the first half of 1952 was only S$434 million less than that for the first half of 1951, while the decrease in the value of exports for the same period was S$1457 million.

True, 1951 was an exceptional year due to American and West European stockpiling and other factors, but nevertheless these violent fluctuations in the balance of payments cannot be healthy for the country's economy. When the standard of living of its people, when the happiness and welfare of the whole country depends on the fluctuations in world markets of the price of one or two commodities, fluctuations over which the Malayan people have no control, then surely the problem is vitally serious, and becomes even more so in the present unhappy state of the world, where low living standards, unemployment and general unrest, injected with a foreign and false ideology, places the existence of the State itself in jeopardy.

This is the danger to Malaya and the worst of it is that the issue lies not in the hands of the Malayan people but in the markets and stock exchanges of the great trade and financial centres of the world. The problem, and consequently any possible solution, is not simple, and it is impossible to do more than touch on it here, perhaps to outline some of the more obvious factors and complications involved.

* * *

Fundamentally it is a problem of structure. The economic structure of Malaya is essentially one of monoculture; by far the greatest proportion of its available productive land is devoted to the growing of rubber, as in Australia it is wool and in Jamaica, sugar. The economy thereby becomes excessively brittle and vulnerable to outside conditions. True, the production of palm oil, tapioca, copra, etc. are important subsidiaries, but can in no way absorb the shock of a sudden depression in rubber; it is in no state to absorb the extra labour and capital made available when the world demand for rubber falls off.

The obvious alternative to this state of affairs is a diversification of the economy, so that not so much depends on a single product. To this general idea there is an objection which is often made, but which, though it can be justified in theory, is of doubtful value in practice. According to the classical theory of international trade—the greatest possible benefit resulting from the exchange of goods between countries is achieved only if each country concentrates on those goods which it can produce at a more advantageous cost than other countries, by reason of climate, natural resources, labour supply, etc. It is of no use for Britain to try and grow mangos in glass houses at great cost if she can produce cotton shirts and exchange them for mangos at a much cheaper price. Similarly, say the theorists, if Malaya is most suited to produce rubber, she should concentrate on rubber and exchange it for all the necessities she requires, rather than trying to produce commodities which cost more to grow or to manufacture than to import.

This is ideal in theory, but for practical purposes must unfortunately be rejected because it makes an abstraction of the non-economic factors, political, strategic and social, which especially today are so often considered as more important than the purely economic one—and in many ways rightly so—because as long as the international political scene is so unsettled it is obviously good sense to rely as little as possible on outside sources for essential materials. In the short run at any rate, security is a more important asset than a rational economy.

Now, if we accept the necessity of a more diversified economy, the next question is how is this to come about. In Malaya there are two systems of rubber production; one is the plantation or estate system where a large area of rubber is owned by a firm or syndicate and operated by an appointed manager and a staff of tappers, foremen, etc.; the other is the small-holding, a small area of rubber owned and operated often by one man and his family, who more often than not grow a subsidiary crop of tapioca or engage in market gardening.

Clearly the second method is a much more flexible type of enterprise. If there is a depression in the world rubber market the small-holder is able to turn to alternative production at the minimum of cost, while it is difficult for the large estate to do so without an excessive outlay of new capital.

Here again there is conflict. The large plantation run by experts and backed by important financial capital, and with assured transport and marketing facilities can be run on a more rational and more productive basis than can a small-holding out in the jungle, but is much more vulnerable to the fluctuations of the market. Also inherent in the plantation system is a social problem which is common to all parts of the world, is in fact one of the essential dangers of the age, and can hardly be elaborated on here. It is the problem of land ownership and of the landless labourer. A man working on a big estate is as much a cog in the wheel as the man working on the assembly line of a jam packing factory. He is not attached to the land; if in hard times he loses his job he becomes a burden on the society as well as a potential threat to its security. On the other hand, the small-holder owns his land and whatever happens he sticks to it; come what may, boom or depression, he can always make his land produce something and he always feels a minimum sense of security.

We are dealing here of course only with some aspects of the diversification of agriculture, in which it would seem that small-holdings, if encouraged by improved communications and increased credit facilities, would in many ways be more satisfactory than the estate system. But there is also the possibility of the diversification of industry and the encouragement of new industries especially in the processing and utilisation of the country's own raw materials.

Certainly these are all problems which need the most careful study and appropriate action if the Malayan economy is to withstand the shocks which a realistic observer might expect in the future.

HONGKONG'S TRADE FOR AUGUST & FOR JANUARY-AUGUST 1952

The total volume of visible trade for August, 1952 at $508.3 million was $60.0 million (10.6%) less than the previous month and 34.4% below the 1951 monthly average of $775.3 million, according to figures, issued by the HK Dept. of Commerce & Industry. These clearly show that the figure for July was unduly inflated by a rise in the number of declarations as a result of a press warning. Compared with June the August figure shows a rise of $26.1 million and indicates a very slight improvement in business activity.

Imports at $279.7 million fell by $27.0 million (8.8%) as compared with the previous month and were 31.1% less than the 1951 monthly average of $405.9 million. Increased import values as compared with the 1951 monthly average were recorded for Egypt (plus 403%), South Korea (plus 68%), Burma (plus 58%), Japan (plus 28%) and Italy (plus 18%). Noteworthy reductions in value were recorded for New Zealand (—92%), Indonesia (—89%), Pakistan (—87%), Belgium (—75%), France (—72%), Germany (—69%), Canada (—62%), Malaya (—61%), Philippines (—61%), Macao (—60%), U.S.A. (—54%), Netherlands (—54%), Switzerland (—53%), Indochina (—46%), Ceylon (—44%), Australia (—42%), and United Kingdom (—38%). Further details by countries are given in Appendix 1 and by commodities in Appendix 5.

Exports at $228.6 million were $33.0 million (12.6%) less than the previous month and compared with the 1951 monthly average of $369.4 million a reduction of 38.1% was recorded. Individual increases on the basis of the 1951 monthly average were:— Indonesia (plus 202%), Thailand (plus 105%), Ceylon (plus 103%), South Korea (plus 41%), Formosa (plus (37%) and Italy (plus 24%). Countries showing considerably reduced values for exports were:— Egypt (—88%), Pakistan (—79%), U.S.A. (—78%), China, excluding Formosa (—75%), New Zealand (—73%), Macao (—72%), France (—72%), United Kingdom (—69%), Belgium (—69%), Australia (—67%), Denmark (—59%), Malaya (—52%), Netherlands (—51%), Philippines (—49%), Norway (—48%), Sweden (—38%), Switzerland (—32%) and Burma (—31%). Further details by countries are given in Appendix 2 and by commodities in Appendix 6.

Import & Export Licences—The number of import and export licences issued were as follows:—

	August 1952	July 1952	Monthly Averages for 1951
Import ..	7,440	7,603	6,035
Export ..	13,895	14,457	9,341

In addition, at the request of merchants, approximately 3,000 "No licence required" forms were issued during the month by the Import Control Office.

The number of import licences issued on Japan again increased, 3,409 being issued in August as against 2,914 in July and 2,165 in June; 1,057 licences were issued on the United Kingdom, 609 on Germany, 378 on the U.S.A. and 372 on Holland.

The adverse trade balance with Japan remained at approximately the same level as last month being $26,863,399 compared with $27,083,348 in July. For the tenth successive month the Colony had an adverse trade balance with China imports from China being $73,494,857 (the highest so far this year and $2,965,327 more than the previous month) and exports to China being $33,597,005 giving an adverse balance of $39,897,852.

Essential Supplies Certificates—A total of 826 certificates were issued during the month, as compared with 871 for the previous month. A further 72 applications for sole agencies were registered during the month making a grand total of 3,274.

Smuggling—Attempts at smuggling tended to increase during August and a total of 24 cases involving Specified Articles were dealt with during the month by the Revenue staff.

There was a considerable increase in illicit distilling, 237 stills being seized and 5,079 gallons of mash seized and destroyed. There was also a large increase in the smuggling of cigarettes, mostly from Macao—a total of 1,038,360 pieces and 1,825 lbs. of tobacco being seized during the month.

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TOTAL VALUES OF IMPORTS, BY COUNTRIES, AUGUST 1952, WITH CUMULATIVE TOTALS AND MONTHLY AVERAGES FOR THE YEAR, AND COMPARATIVE MONTHLY AVERAGES FOR THE YEAR 1951

MERCHANDISE	August 1952	Jan.-Aug. 1952	Monthly Average 1952	Monthly Average 1951
	$	$	$	$
United Kingdom	31,792,577	301,536,201	37,692,025	51,588,051
Africa (British)	7,101,961	31,682,757	3,960,345	2,766,874
Australia	4,250,927	33,916,170	4,239,521	7,390,473
Canada	2,791,761	54,210,183	6,776,273	7,323,885
Ceylon	170,314	1,386,624	173,328	302,444
India	12,360,576	59,606,935	7,450,867	13,236,177
Malaya	12,641,234	103,921,498	12,990,187	32,839,096
New Zealand	19,413	816,121	102,015	241,482
North Borneo (British)	2,874,748	18,924,417	2,365,552	2,490,516
Pakistan	1,577,151	67,648,226	8,456,028	11,970,801
British Commonwealth, Other	3,188,040	23,334,587	2,916,823	5,774,381
Egypt	6,975,627	13,182,418	1,647,802	1,388,006
U.S.A.	14,338,059	152,975,584	19,121,948	31,126,966
Central America	528,655	905,543	113,193	306,410
South America	324,080	5,771,467	721,433	5,077,164
Burma	1,298,064	21,553,313	2,694,164	823,283
China (excluding Formosa)	73,494,857	491,083,818	61,385,477	71,924,985
Formosa	4,978,112	35,612,079	4,451,510	5,197,232
Indochina	2,283,302	34,423,680	4,302,960	4,230,761
Indonesia	805,727	17,715,506	2,214,438	7,528,081
Japan	41,758,787	321,075,605	40,134,451	32,688,529
Korea, South	551,123	4,616,124	577,016	328,560
Macao	3,440,161	43,434,146	5,429,268	8,632,883
Philippines	422,232	7,069,084	883,636	1,072,550
Thailand	9,631,256	151,616,844	18,952,106	12,966,445
Belgium	2,597,565	50,227,595	6,278,449	10,253,802
Czechoslovakia	203,358	3,171,720	396,465	1,111,840
Denmark	824,761	6,484,080	810,510	1,359,187
France	2,827,193	35,199,180	4,399,898	10,290,622
Germany	5,589,176	80,880,858	10,110,107	17,856,503
Italy	12,375,917	68,853,010	8,606,626	10,491,238
Netherlands	4,836,581	62,669,630	7,833,704	10,429,415
Norway	782,337	13,122,681	1,640,335	2,945,062
Sweden	802,632	19,352,739	2,419,092	4,004,543
Switzerland	5,144,445	71,141,769	8,892,721	10,905,106
U.S.S.R.	—	105,300	13,163	201,228
African Countries, Other	38,080	3,114,002	389,250	
Asian Countries, Other	1,336,115	12,656,279	1,582,035	6,794,964
European Countries, Other	2,754,166	16,214,308	2,026,789	
TOTAL MERCHANDISE	279,711,070	2,441,212,081	305,151,510	405,859,545
TOTAL GOLD AND SPECIE	232,661	7,440,679	930,085	1,810,956
GRAND TOTAL	279,943,731	2,448,652,760	306,081,595	407,670,501

TOTAL VALUES OF EXPORTS, BY COUNTRIES, AUGUST 1952, WITH CUMULATIVE TOTALS AND MONTHLY AVERAGES FOR THE YEAR, AND COMPARATIVE MONTHLY AVERAGES FOR THE YEAR 1951

MERCHANDISE	August 1952	Jan.-Aug. 1952	Monthly Average 1952	Monthly Average 1951
	$	$	$	$
United Kingdom	5,511,482	53,494,252	6,686,782	17,883,201
Africa (British)	2,239,568	21,202,132	2,650,266	3,606,244
Australia	1,982,642	11,710,944	1,463,868	5,997,808
Canada	1,328,831	11,922,601	1,490,325	1,364,676
Ceylon	1,339,130	5,054,956	631,870	660,904
India	2,414,939	8,954,841	1,119,355	2,194,221
Malaya	29,348,982	289,891,139	36,236,392	61,718,618
New Zealand	181,231	2,510,189	313,774	667,629
North Borneo (British)	1,110,953	10,971,754	1,371,469	1,284,979
Pakistan	3,252,450	44,406,405	5,550,801	15,637,737
British Commonwealth, Other	1,784,741	17,251,174	2,156,397	3,154,822
Egypt	75,700	1,911,420	238,927	654,644
U.S.A.	3,010,962	94,105,196	11,763,150	13,545,550
Central America	970,399	7,472,991	934,124	792,479
South America	811,933	8,095,526	1,011,941	1,052,610
Burma	2,360,472	42,587,580	5,323,447	3,410,740
China (excluding Formosa)	33,597,005	251,995,302	31,499,413	133,649,613
Formosa	15,971,572	137,718,123	17,214,765	11,614,928
Indochina	3,179,308	22,658,957	2,832,370	2,836,083
Indonesia	61,644,404	291,687,384	36,460,923	20,401,723
Japan	14,895,388	76,248,874	9,531,109	16,043,910
Korea, South	2,505,953	16,709,679	2,088,710	1,781,656
Macao	5,410,249	55,235,013	6,904,377	19,029,443
Philippines	2,941,289	27,052,938	3,381,617	5,751,521
Thailand	15,306,444	179,759,794	22,469,974	7,480,943
Belgium	271,881	3,209,790	401,224	880,215
Czechoslovakia	—	—	—	919
Denmark	331,934	6,535,721	816,965	765,192
France	664,752	9,471,856	1,183,982	2,339,906
Germany	2,764,068	20,393,924	2,549,240	2,752,264
Italy	1,854,867	6,813,346	851,668	1,492,738
Netherlands	2,049,117	19,524,050	2,440,506	4,211,365
Norway	257,637	3,671,105	458,888	495,158
Sweden	249,463	2,080,030		
Switzerland	286,117	1,777,237	222,155	419,638
African Countries, Other	5,410,625	23,933,728	2,991,716	
Asian Countries, Other	868,377	10,364,377	1,295,547	3,443,122
European Countries, Other	396,615	1,629,640	203,705	
TOTAL MERCHANDISE	228,561,480	1,800,013,968	225,001,746	369,418,976
TOTAL GOLD AND SPECIE	681,064	11,827,145	1,478,393	2,294,686
GRAND TOTAL	229,242,544	1,811,841,113	226,480,139	371,713,662

TOTAL VALUES OF IMPORTS BY DIVISIONS FOR AUGUST, 1952 WITH CUMULATIVE TOTALS AND MONTHLY AVERAGES

	August 1952	Jan.-Aug. 1952	Monthly Average 1952
	$	$	$
Live animals, chiefly for food	10,347,260	90,561,270	11,320,159
Meat and meat preparations	464,399	14,164,176	1,770,522
Dairy products, eggs and honey	5,106,653	57,218,449	7,152,306
Fish and fish preparations	8,125,996	49,263,081	6,157,885
Cereals and cereal preparations	12,505,258	192,740,850	24,092,606
Fruits and vegetables	22,476,509	150,433,091	18,804,136
Sugar and sugar preparations	9,234,297	43,718,359	5,464,795
Coffee, tea, cocoa, spices and manufactures thereof	6,209,398	33,283,686	4,160,461
Feeding stuffs for animals (not including unmilled cereals)	2,038,088	16,378,665	2,047,333
Miscellaneous food preparations	1,290,138	9,729,079	1,216,135
Beverages	1,752,680	21,354,200	2,669,275
Tobacco and tobacco manufactures	3,458,327	38,065,733	4,758,217
Hides, skins and fur skins, undressed	885,734	7,781,560	972,695
Oil-seeds, oil nuts and oil kernels	7,359,773	51,734,965	6,466,871
Crude rubber, including synthetic and reclaimed	229,228	5,906,090	738,252
Wood, lumber and cork	4,937,535	47,477,112	5,934,639
Pulp and waste paper	339,688	4,415,086	551,886
Textile fibres	25,040,273	148,147,292	18,518,412
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	298,369	5,001,652	625,206
Metalliferous ores and metal scrap	377,218	6,588,738	823,592
Animal and vegetable crude materials, inedible, n.e.s.	10,033,542	100,902,427	12,612,803
Mineral fuels, lubricants and related materials	9,361,562	83,093,810	10,386,726
Animal and vegetable oils (not essential oils), fats, greases and derivatives	13,597,099	80,472,943	10,059,118
Chemical elements and compounds	5,060,793	95,455,598	11,931,962
Mineral tar and crude chemicals from coal, petroleum and natural gas	—	16,041	2,005
Dyeing, tanning and colouring materials	4,140,446	29,076,659	3,634,582
Medicinal and pharmaceutical products	12,537,401	55,453,606	6,931,701
Essential oils and perfume materials; toilet, polishing and cleansing preparations	1,571,262	16,791,994	2,098,999
Fertilizers, manufactured	1,232	14,812	1,851
Explosives and miscellaneous chemical materials and products	3,662,293	31,656,374	3,957,047
Leather, leather manufactures, n.e.s., and dressed furs	1,339,168	11,286,389	1,410,799
Rubber manufactures, n.e.s.	345,917	10,593,772	1,324,221
Wood and cork manufactures (excluding furniture)	662,460	6,596,182	824,523
Paper, paperboard and manufactures thereof	4,647,683	75,302,305	9,412,788
Textile yarn, fabrics, made-up articles and related products	42,180,363	333,894,526	41,736,816
Non-metallic mineral manufactures, n.e.s.	7,487,932	49,941,657	6,242,707
Silver, platinum, gems and jewellery	2,315,271	22,907,198	2,863,400
Base metals	5,585,134	82,642,525	10,330,316
Manufactures of metals	5,207,537	46,393,451	5,799,181
Machinery other than electric	3,932,767	53,753,086	6,719,136
Electric machinery, apparatus and appliances	2,969,109	48,273,566	6,034,196
Transport equipment	2,977,254	34,636,392	4,329,549
Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings	1,126,742	6,006,085	750,761
Furniture and fixtures	390,633	2,903,997	363,000
Travel goods, handbags and similar articles	171,176	1,315,779	164,472
Clothing	2,426,275	18,055,518	2,256,940
Footwear	110,392	1,864,408	233,051
Professional, scientific and controlling instruments; photographic and optical goods; watches and clocks	5,524,883	95,720,749	11,965,094
Miscellaneous manufactured articles, n.e.s.	7,863,811	52,108,892	6,513,611
Live animals, not for food	4,106	118,176	14,772
TOTAL MERCHANDISE	279,711,070	2,441,212,081	305,151,510
GOLD AND SPECIE	232,661	7,440,679	930,085
GRAND TOTAL	279,943,731	2,448,652,760	306,081,595

TOTAL VALUES OF EXPORTS BY DIVISIONS FOR AUGUST, 1952 WITH CUMULATIVE TOTALS AND MONTHLY AVERAGES

	August 1952	Jan.-Aug. 1952	Monthly Average 1952
	$	$	$
Live animals, chiefly for food	373,875	393,455	49,182
Meat and meat preparations	363,790	6,193,811	774,226
Dairy products, eggs and honey	2,914,846	23,486,395	2,935,799
Fish and fish preparations	6,168,166	33,964,319	4,245,540
Cereals and cereal preparations	1,674,375	15,005,876	1,875,734
Fruits and vegetables	15,619,612	128,145,419	16,018,177
Sugar and sugar preparations	6,855,911	29,553,184	3,694,148
Coffee, tea, cocoa, spices and manufactures thereof	5,987,349	27,524,990	3,440,624
Feeding stuffs for animals (not including unmilled cereals)	1,893,234	17,316,109	2,164,514
Miscellaneous food preparations	1,776,279	14,857,494	1,857,187
Beverages	1,206,405	11,184,846	1,398,106
Tobacco and tobacco manufactures	929,031	11,099,135	1,387,392
Hides, skins and fur skins, undressed	727,753	5,842,787	730,348
Oil-seeds, oil nuts and oil kernels	5,198,488	30,446,967	3,805,871
Crude rubber, including synthetic and reclaimed	—	98,700	12,337
Wood, lumber and cork	137,085	2,467,040	308,380
Pulp and waste paper	395,014	4,126,933	515,867
Textile fibres	5,696,287	28,308,917	3,538,615
Crude fertilizers and crude minerals, excluding coal, petroleum and precious stones	259,907	2,018,704	252,338
Metalliferous ores and metal scrap	2,270,908	21,086,075	2,635,759
Animal and vegetable crude materials, inedible, n.e.s.	10,297,161	120,114,142	15,014,268
Mineral fuels, lubricants and related materials	654,750	5,666,776	708,347
Animal and vegetable oils (not essential oils), fats, greases and derivatives	6,509,371	47,983,205	5,997,901
Chemical elements and compounds	4,703,687	98,957,421	12,369,678
Mineral tar and crude chemicals from coal, petroleum and natural gas	10,795	28,676	3,584
Dyeing, tanning and colouring materials	9,214,501	40,398,986	5,049,873
Medicinal and pharmaceutical products	15,784,407	78,262,892	9,782,861
Essential oils and perfume materials; toilet, polishing and cleansing preparations	1,146,814	11,617,177	1,452,147
Fertilizers, manufactured	—	2,852,770	356,596
Explosives and miscellaneous chemical materials and products	2,100,057	23,243,379	2,905,422
Leather, leather manufactures, n.e.s., and dressed furs	275,156	3,828,770	478,596
Rubber manufactures, n.e.s.	255,191	853,871	106,734
Wood and cork manufactures (excluding furniture)	217,235	2,622,525	327,816
Paper, paperboard and manufactures thereof	6,484,318	63,920,129	7,990,016
Textile yarn, fabrics, made-up articles and related products	38,743,355	378,478,970	47,309,871
Non-metallic mineral manufactures, n.e.s.	5,787,216	26,330,750	3,291,344
Silver, platinum, gems and jewellery	810,145	16,351,637	2,043,955
Base metals	1,394,556	12,245,136	1,530,642
Manufactures of metals	9,396,858	66,756,470	8,344,559
Machinery other than electric	3,497,908	31,171,005	3,896,376
Electric machinery, apparatus and appliances	3,469,628	24,224,322	3,028,040
Transport equipment	2,181,269	9,339,347	1,167,418
Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings	6,496,821	36,824,709	4,603,089
Furniture and fixtures	923,983	14,564,829	1,820,604
Travel goods, handbags and similar articles	552,187	5,034,797	629,350
Clothing	20,110,768	143,696,346	17,962,043
Footwear	1,608,610	17,715,464	2,214,433
Professional, scientific and controlling instruments; photographic and optical goods; watches and clocks	4,223,537	34,300,245	4,287,531
Miscellaneous manufactured articles, n.e.s.	11,255,700	69,477,280	8,684,660
Live animals, not for food	7,181	30,786	3,848
TOTAL MERCHANDISE	228,561,480	1,800,013,968	225,001,746
GOLD AND SPECIE	681,064	11,827,145	1,478,393
GRAND TOTAL	229,242,544	1,811,841,113	226,480,139

SIGNIFICANT ITEMS IMPORTED DURING AUGUST, 1952

Country and	Imports	% difference	% of country's

	Imports	% difference	% of country's

SIGNIFICANT ITEMS IMPORTED DURING AUGUST, 1952

Country and total value of imports	Item	Imports August, 1952 $	% difference on basis 1951 monthly average	% of country's total imports into Hongkong in Aug., 1952
United Kingdom ($81,792,577)	Cigarettes	751,421	— 40	2
	Sulphate of ammonia	1,525,818	+ 514	5
	Pharmaceutical products (other than of Chinese manufacture)	1,759,118	— 57	6
	Textile machinery	998,201	— 26	3
	Insulated wire and cables for electricity	687,499	— 23	2
	Motor cars	304,704	— 74	1
	Cotton yarns	375,183	— 67	1
	Woollen suitings and tweeds	4,180,989	+ 51	13
	Tinplates	1,428,642	+ 183	4
Australia ($4,250,927)	Butter	173,244	— 46	4
	Eggs in shell	314,614	+ 88	7
	Leather	435,696	— 47	10
Canada ($2,791,761)	Wheat flour	899,895	— 40	32
	Fountain pens, propellent pencils, etc.	116,767	— 79	4
Ceylon ($170,314)	Tea	150,606	— 24	88
India ($12,360,576)	Coal	1,495,837	— 4	12
	Peanut oil	608,262	+ 528	5
	Cotton yarns	3,628,897	+ 12	29
	Gunny bags	280,776	— 75	2
Malaya ($12,641,234)	Raw rubber	229,180	— 99	2
	Fuelwood	391,801	+ 232	3
	Charcoal	382,995	— 35	3
	Gas oil and diesel fuel	6,058,755	+1253	48
	Coconut oil	585,314	+ 24	5
	Pharmaceutical products (other than of Chinese manufacture)	767,747	+ 198	6
North Borneo ($2,874,748)	Fuelwood	1,059,364	+ 96	37
Pakistan ($1,577,151)	Raw cotton	1,500,471	— 87	95
Egypt ($6,975,627)	Raw cotton	6,087,677	+ 445	87
U.S.A. ($14,338,059)	Wheat flour	796,877	+ 521	6
	Oranges and tangerines	1,850,950	—	13
	Tobacco leaf	1,216,567	— 9	8
	Cigarettes	668,395	— 76	5
	Old and waste paper	339,688	— 65	2
	Pharmaceutical products (other than of Chinese manufacture)	318,363	— 77	2
	Fabrics of synthetic fibres and spun glass	604,058	— 76	4
Burma ($1,298,064)	Rice, white (other than broken)	1,012,807	+ 81	78
China, excluding Formosa ($73,494,857)	Swine	7,077,249	+ 127	10
	Poultry, live	2,817,712	+ 202	4
	Eggs in shell	2,972,530	— 24	4
	Fish, fresh, chilled or frozen	1,294,371	+ 107	2
	Alimentary pastes	1,758,265	+ 115	2
	Fresh vegetables	3,089,450	— 6	4
	Tea	699,319	— 43	1
	Peanuts, shelled	998,480	— 62	1
	Soya beans	3,636,289	+ 80	5
	Sesamum seed	1,538,219	+ 69	2
	Fuelwood	252,422	— 82	—
	Ramie and ramie tow	593,661	+ 31	1
	Pine resin	623,142	+ 245	1
	Plants, flowers and seeds for medicines and perfumery	4,688,360	+ 25	6
	Peanut oil	732,656	— 28	1
	Tung oil	7,951,303	+ 13	11
	Tea seed oil	1,020,625	+ 30	1
	Silk fabrics	899,347	— 50	1
	Bed and table linen	659,801	+ 352	1
Formosa ($4,978,112)	Sugar, refined	294,560	— 87	6
	Tea	3,726,059	+ 315	75
	Essential vegetable oils	212,160	— 52	4
Indochina ($2,283,302)	Hides, undressed	310,524	+ 21	14
	Sesamum seed	228,484	+ 110	10
	Feathers	687,744	— 17	30
Indonesia ($805,727)	Rattan canes, core and peel	247,666	— 67	31
Japan ($41,758,787)	Cuttle fish	1,438,204	— 1	3
	Fish and fish products in airtight containers	2,338,466	+2300	6
	Potatoes	636,803	+ 153	2
	Mushrooms, dried	461,301	+ 19	1
	Cotton fabrics, grey (unbleached)	502,905	— 74	1
	Cotton shirtings, white	433,987	+ 2	1
	Cotton poplins	516,923	+ 177	1
	Cotton fabrics, other than grey (bleached, dyed, mercerised, printed or otherwise finished)	1,813,597	— 41	4
	Fabrics of synthetic fibres and spun glass	6,099,234	+ 5	15
	Cement	1,285,598	+ 70	3
	Chinaware and porcelain ware	3,894,096	+1618	9
	Bars, rods, and structural shapes (other than wire rods)	933,594	+ 122	2
	Sewing machines	303,319	— 34	1
	Toys and games	383,968	+ 135	1
	Fountain pens, propellent pencils, etc.	816,854	+ 468	2
Macao ($3,440,161)	Fireworks	323,866	— 41	9
	Matches	632,996	— 23	18
Philippines ($422,232)	Molasses	339,250	+ 79	80
Thailand ($9,631,256)	Rice, white (other than broken)	2,684,383	— 59	28
	Rice, white, broken	3,500,881	+ 278	36
	Teakwood conversions and squares	657,906	— 17	7
	Salt	196,255	— 5	2
Belgium ($2,597,565)	Sulphate of ammonia	733,473	— 33	28
	Cut stones	788,925	+ 35	30
	Iron and steel structural parts	172,496	— 10	7
Denmark ($824,761)	Beer	194,091	+ 29	24
France ($2,827,193)	Pharmaceutical products (other than of Chinese manufacture)	1,989,326	+ 95	70
	Sulphate of ammonia	315,036	— 73	6
Germany ($5,589,176)	Dyestuffs	2,249,438	— 36	40
	Pharmaceutical products (other than of Chinese manufacture)	768,611	— 53	14
	Photographic apparatus	334,135	+ 6	6
Italy ($12,375,917)	Pharmaceutical products (other than of Chinese manufacture)	4,857,748	+ 799	39
	Cotton yarns	4,486,549	+ 505	36
	Yarn and thread of synthetic fibres and spun glass	1,178,470	+ 39	9
Netherlands ($4,836,581)	Milk, evaporated or condensed	460,101	— 63	10
	Beer	364,552	+ 26	8
	Sulphate of ammonia	567,862	+ 41	12
	Pharmaceutical products (other than of Chinese manufacture)	488,401	— 71	10
	Leather	308,820	+ 25	6
Norway ($782,337)	Newsprint paper	616,848	— 52	79
Sweden ($802,632)	Pharmaceutical products (other than of Chinese manufacture)	165,470	+ 63	21
	Dyestuffs	787,283	— 6	15
Switzerland ($5,144,445)	Pharmaceutical products (other than of Chinese manufacture)	102,319	— 85	2
	Watches and parts	3,340,492	— 52	65

SIGNIFICANT ITEMS EXPORTED DURING AUGUST, 1952

Country and total value of exports	Item	Exports August, 1952 $	% difference on basis 1951 monthly average	% of Hong-kong's total exports to country in Aug., 1952
United Kingdom ($5,511,482)	Tung oil	1,208,196	— 68	22
	Tea seed oil	420,608	— 39	8
	Electric torches	419,955	+ 106	8
	Rubber footwear	395,116	— 20	7
	Buttons and studs	268,679	— 3	5
Australia ($1,982,642)	Peanuts, shelled	484,530	+ 150	24
	Tung oil	424,701	— 24	21
Canada ($1,328,831)	Feathers	85,375	— 24	6
	Electric torches	146,789	+ 31	11
Ceylon ($1,339,130)	Beans	585,945	+ 161	44
India ($2,414,939)	Electric torches	2,078,591	+ 259	86
Malaya ($29,348,982)	Eggs in shell	870,525	— 34	3
	Cuttle fish	790,031	+ 8	3
	Beans	1,373,803	— 2	5
	Fresh vegetables	347,826	— 85	1
	Sugar, refined	1,578,117	— 39	5
	Plants, flowers and seeds for medicines and perfumery	1,434,049	— 20	5
	Fabrics of synthetic fibres and spun glass	891,450	— 79	3
	Cordage, cables and ropes	473,658	— 3	2
	Table linen, bed-linen and toilet linen	516,277	— 11	2
	Books and pamphlets	310,672	+ 13	1
	Joss sticks	362,036	— 29	1
Pakistan ($3,252,450)	Cotton yarns	1,262,325	— 91	39
	Matches, locally manufactured	473,500	— 2	15
	Matches, imported	457,100	— 8	14
U.S.A. ($3,010,962)	Feathers	115,560	— 97	4
	Furniture of vegetable plaiting materials	580,960	— 20	19
Burma ($2,360,472)	Old and waste paper	167,570	+ 42	7
	Wheat flour	429,486	+ 162	18
China, excluding Formosa ($33,597,005)	Sulphate of ammonia	1,145,480	— 73	3
	Dyestuffs	7,802,727	+ 4	23
	Pharmaceutical products (other than of Chinese manufacture)	2,776,743	— 78	8
	Office machines (except typewriters)	1,059,099	+ 18	3
	Textile machinery	984,613	— 65	3
	Surgical and medical instruments	404,538	— 85	1
Formosa ($15,971,572)	Milk, evaporated or condensed	965,171	+ 103	6
	Milk, dried (powder)	316,116	+ 89	2
	Cuttle fish	371,318	+ 19	2
	Wheat flour	343,174	— 41	2
	Beans	2,409,797	+ 88	15
	Soya beans	1,316,920	+ 94	8
	Plants, flowers and seeds for medicines and perfumery	637,844	+ 16	4
	Pharmaceutical products (other than of Chinese manufacture)	432,271	—	3
	Cotton yarns	2,504,950	+ 282	16
	Cotton fabrics, grey (unbleached)	823,080	+ 358	5
Indochina ($3,179,308)	Potatoes	545,454	+ 123	17
	Fresh vegetables	471,230	+ 41	15
	Plants, flowers and seeds for medicines and perfumery	424,577	— 35	13
Indonesia ($61,644,404)	Plants, flowers and seeds for medicines and perfumery	1,696,856	+ 550	3
	Common packing paper (other than kraft paper)	907,110	+ 550	1
	Cotton yarns	3,042,446	—	5
	Yarn and thread of synthetic fibres and spun glass	781,425	+ 131	1
	Cotton fabrics, grey (unbleached)	1,562,296	+ 311	3
	Cotton drills and ducks, white or dyed	8,034,186	+ 134	13
	Cotton fabrics, other than grey (bleached, dyed, mercerised, printed or otherwise finished)	2,952,055	+ 924	5
	Enamelware	3,329,401	+ 117	5
	Electric batteries and accumulators	1,264,521	+ 58	2
	Electric torches	534,164	— 13	1
	Umbrellas, parasols, etc.	779,356	+ 521	1
Japan ($14,895,388)	Beans	1,268,488	+ 385	9
	Sugar, refined	746,964	— 5	5
	Peanuts, shelled	989,148	— 25	7
	Sesamum seed	1,259,582	+ 176	8
	Ramie and ramie tow	1,347,130	+ 42	9
	Iron ore	371,900	— 64	2
	Iron and steel scrap	627,640	— 19	4
Korea, South ($2,505,953)	Sugar, refined	512,480	+ 378	20
Macao ($5,410,249)	Sugar, refined	223,850	— 50	4
	Cigarettes	201,436	— 58	4
Philippines ($2,941,289)	Cotton fabrics, other than grey (bleached, dyed, mercerised, printed or otherwise finished)	808,481	— 9	27
Thailand ($15,306,444)	Cuttle fish	208,725	+ 34	1
	Fresh vegetables	327,939	+ 12	2
	Cotton yarns	365,050	+ 40	2
	Fabrics of synthetic fibres and spun glass	397,753	— 51	3
	Enamelware	820,700	+ 527	5
France ($664,752)	Essential vegetable oils	123,960	+ 5	19
Germany ($2,764,068)	Feathers	760,781	+ 347	28
	Cotton seed oil	664,269	+ 100	24
Italy ($1,854,867)	Sesamum seed	115,920	— 74	6
	Peanut oil	974,588	+ 100	53
	Casein, albumen, etc.	171,912	+ 608	9
Netherlands ($2,049,117)	Tung oil	1,149,000	— 4	56
Norway ($257,637)	Feathers	199,712	— 32	78

HONGKONG IMPORTS & EXPORTS

September 1951 to August 1952

	HK$ million		
1951	Imports	Exports	Total
Sept.	331	261	592
Oct.	419	274	693
Nov.	390	241	631
Dec.	457	279	736
1952			
Jan.	385	197	582
Feb.	332	211	543
Mar.	285	240	525
Apr.	284	216	500
May	301	231	532
June	268	214	482
July	307	261	568
August	280	228	508

HONGKONG'S TRADE WITH CHINA

September 1951 to August 1952

	HK$ million			Excess of	
1951	Imports	Exports	Total	Imp.	Exp.
Sept.	47	89	136	—	42
Oct.	66	73	139	—	7
Nov.	78	55	133	23	—
Dec.	96	52	148	44	—
1952					
Jan.	71	22	93	49	—
Feb.	69	18	87	51	—
Mar.	47	21	68	26	—
Apr.	58	33	91	25	—
May	54	28	82	26	—
June	49	44	93	5	—
July	71	52	123	19	—
August	73	34	107	39	—

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A

Hongkong Imports & Exports of Selected Commodities

For July & Jan.-July 1952

Aniseed Oil

	July		1952 Jan.-July	
Imports	Cwt.	$	Cwt.	$
Total	118	81,000	831	504,790
China, (excluding Formosa)	118	81,000	831	504,790
Exports				
Total	96	70,888	1,541	800,073
United Kingdom	—	—	563	140,675
Africa (British)	4	2,772	36	25,543
Australia	31	21,920	61	40,977
India	2	1,553	22	16,667
New Zealand	—	—	4	2,803
British Com. (Other)	6	4,714	6	4,714
Burma	1	527	1	527
Formosa	5	4,780	8	8,160
Japan	9	7,375	20	16,493
Belgium	—	—	19	12,128
France	38	27,247	603	404,558
Germany	—	—	20	14,762
Italy	—	—	40	25,262
Netherlands	—	—	138	86,804

Cassia Oil

Imports				
Total	77	117,596	376	385,616
China, (excluding Formosa)	77	117,596	376	385,616
Exports				
Total	28	44,023	238	382,265
United Kingdom	—	—	23	32,757
Australia	11	16,632	11	16,632
India	1	1,100	2	1,810
Burma	1	1,110	2	3,191
Formosa	1	1,610	3	5,050
Indonesia	—	—	6	8,100
Japan	14	23,571	150	253,448
Korea, South	—	—	2	4,000
Belgium	—	—	11	16,537
France	—	—	13	18,410
Germany	—	—	11	16,692
Netherlands	—	—	4	5,638

Linseed Oil

Imports				
Total	265	33,965	2,455	290,106
United Kingdom	—	—	730	60,870
India	265	33,965	1,499	200,531
China, (excluding Formosa)	—	—	22	3,135
Indochina	—	—	200	25,000
Macao	—	—	4	570
Exports				
Total	240	36,461	1,141	176,583
Malaya	2	400	9	1,600
N. Borneo (Br.)	—	—	1	138
China, (excluding Formosa)	—	—	1	203
Formosa	140	20,785	858	130,354
Indonesia	—	—	22	4,410
Japan	—	—	2	459
Korea, South	90	13,905	90	13,905
Macao	8	1,371	135	21,419
Thailand	—	—	23	4,095

Groundnut (Peanut) Oil

Imports				
Total	31,229	3,486,279	158,736	19,285,196
India	26,867	2,961,193	112,947	12,282,372
Malaya	—	—	1,884	217,850
China, (excluding Formosa)	3,360	393,820	12,161	1,852,354
Formosa	—	—	125	19,950
Indochina	—	—	6,916	972,544
Indonesia	—	—	6,592	1,066,095
Japan	—	—	196	33,600
Macao	1	150	315	46,290
Thailand	1,001	131,116	17,600	2,794,141

	July		1952 Jan.-July	
Exports	Cwt.	$	Cwt.	$
Total	7,396	878,571	32,159	4,110,851
Australia	8	2,048	61	14,051
Malaya	871	157,569	3,767	732,414
New Zealand	—	—	6	1,627
N. Borneo (Br.)	63	9,200	209	34,464
Pakistan	2	350	2	350
Br. Com. (Other)	9	1,728	81	16,549
Formosa	4,152	452,100	19,218	2,132,539
Japan	598	59,508	598	59,508
Macao	1,693	196,068	8,181	1,114,549
Thailand	—	—	36	4,800

Sesamum Oil

Imports				
Total	24	6,240	29	7,425
Malaya	—	—	4	1,050
China, (excluding Formosa)	24	6,240	24	6,240
Macao	—	—	1	135
Exports				
Total	122	32,771	1,225	318,911
Australia	5	966	24	6,014
Canada	33	8,437	251	58,274
Ceylon	—	—	2	235
Malaya	40	9,058	725	185,617
New Zealand	—	—	9	2,583
N. Borneo (Br.)	—	—	2	383
Pakistan	1	360	1	360
Br. Com. (Other)	—	—	2	558
U.S.A.	43	13,950	146	51,366
Central America	—	—	16	3,685
South America	—	—	4	601
Burma	—	—	8	2,000
Indonesia	—	—	3	393
Macao	—	—	25	5,295
Thailand	—	—	6	1,438
Sweden	—	—	1	100

Teaseed Oil

Imports				
Total	4,050	650,000	41,688	5,440,122
China, (excluding Formosa)	4,050	650,000	41,688	5,440,122
Exports				
Total	600	75,600	37,356	4,330,985
United Kingdom	600	75,600	17,225	2,306,785
Br. Com. (Other)	—	—	300	40,810
Macao	—	—	9	1,150
Germany	—	—	19,822	1,982,240

Tung Oil (Woodoil)

Imports				
Total	26,606	5,264,800	172,417	32,732,057
Burma	—	—	251	25,577
China, (excluding Formosa)	26,606	5,264,800	172,166	32,706,480
Exports				
Total	16,743	3,085,615	153,417	26,488,969
United Kingdom	—	—	36,728	6,669,817
Africa (British)	—	—	1,980	400,197
Australia	930	185,560	3,518	715,544
Canada	2,201	506,145	8,034	1,704,723
India	720	142,946	1,820	372,299
Malaya	326	70,102	1,392	281,251
New Zealand	300	60,984	1,090	227,000
N. Borneo (Br.)	15	2,915	118	24,336
Formosa	218	46,690	3,442	743,912
Indochina	53	12,000	324	77,800
Indonesia	200	41,000	1,200	237,728
Japan	3,708	742,487	4,495	905,387
Korea, South	117	26,095	133	29,943
Macao	20	3,700	195	37,735
Thailand	158	36,065	629	122,395
Asian Countries, other	—	—	40	8,433
Belgium	—	—	236	50,795
France	400	74,500	1,400	279,000
Germany	—	—	12,348	2,000,460
Italy	464	78,780	1,815	340,985
Netherlands	6,513	977,022	67,546	10,263,254
Norway	—	—	1,554	321,153
Sweden	400	78,624	3,200	637,324
European Countries, other	—	—	180	37,498

Cassia

	July 1952		Jan.-July 1952	
Imports	Cwt.	$	Cwt.	$
Total	2,046	134,445	15,573	1,079,227
Malaya	--	—	1,575	88,500
China, (excluding Formosa)	2,046	134,445	13,900	962,677
Indochina	--	—	98	28,050
Exports				
Total	4,027	279,018	38,880	3,055,282
United Kingdom	33	2,115	5,426	433,857
Africa (British)	76	5,920	1,570	122,038
Australia	--	—	10	756
Canada	80	5,241	697	43,276
Ceylon	—	—	21	1,752
India	17	1,069	2,377	163,941
Malaya	--	—	1	95
Pakistan	874	53,111	1,338	82,166
Br. Com. (Other)	475	32,811	3,944	205,637
African Countries, other	115	7,050	2,394	174,142
U.S.A.	357	37,000	13,088	1,174,983
Central America	190	12,781	1,116	87,549
South America	364	24,121	1,514	111,756
Burma	71	4,808	186	14.348
Japan	569	42,051	1,299	98,120
Macao	--	—	54	2,685
Asian Countries, other	258	16,582	948	70,671
Denmark	—	—	300	17,460
France	21	1,075	1,201	88,376
Italy	--	—	54	3,948
Netherlands	120	7,115	547	37,154
Norway	130	7,400	240	14,250
European Countries, other	277	18,768	1,455	106,322

Bristles

	July 1952		Jan.-July 1952	
Imports	Lb.	$	Lb.	$
Total	4,518	91,443	1,095,819	21,059,796
Malaya	104	5,000	104	5,000
China, (excluding Formosa)	--	—	1,073,952	20,729,578
Formosa	2,087	8,446	11,287	57,796
Korea, South	2,327	77,997	10,476	267,422

	July 1952		Jan.-July 1952	
Exports	Lb.	$	Lb.	$
Total	74,864	1,565,550	1,441,187	34,843,999
Australia	--	—	990	38,407
Canada	18,700	307,000	21,120	362,000
India	--	—	133	2,026
Pakistan	—	—	260	2,300
U.S.A.	56,164	1,258,550	1,339.381	33,469,357
Formosa	--	—	1,424	30,277
Japan	—	—	74,400	848,208
Thailand	--	—	415	3,744
Belgium	—	—	2,264	76,500
Sweden	--	—	800	11,180

Feathers (except Ornamental Feathers)

Imports				
Total	207,308	626,199	4,128,430	20,382,711
Malaya	20,782	59,550	205,320	973,097
N. Borneo (Br.)	—	—	533	2,800
U.S.A.	—	—	6,181	33,984
Burma	13,160	53,000	169,868	1,007,697
China, (excluding Formosa)	1,380	4,000	541,415	3,668,691
Formosa	28,094	120,069	572,877	3,655,275
Indochina	120,140	315,620	2,117,544	8,270,616
Indonesia	--	—	3,200	12,800
Macao	9,220	27,960	132,986	641,129
Thailand	14,532	46,000	378,506	2,116,622
Exports				
Total	355,622	1,948,737	2,542,364	22,948,840
United Kingdom	14,468	73,326	25,376	182,913
Australia	20,257	121,793	21,337	152,168
Canada	36,767	256,127	107,832	787,920
India	600	3,000	2,529	12,665
Malaya	—	—	1,410	7,350
New Zealand	--	—	11,236	18,940
U.S.A.	73,100	496,600	1,710,999	17,042,575
Indonesia	900	4,950	5,800	31,200
Macao	1,320	5,720	7,954	42,150
Thailand	--	—	85	419
Denmark	—	—	101,828	1,029,050
France	—	—	6,045	40,912
Germany	168,810	759,704	284,357	1.375,487
Italy	—	—	123	1,000
Norway	36,000	212,200	252,053	2,208,774
Sweden	3,400	15,317	3,400	15.317

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HONGKONG MANUFACTURED GOODS

Exported under Certificates of Origin and Imperial Preference August 1952

Certificates of Origin and Imperial Preference issued by the HK Dept. of Commerce & Industry during August totalled 2392 and 1404 respectively, their combined total of 3796 being slightly lower than that of the previous month. The value of products exported under these certificates at $15,518,122 showed a marked decrease of $2,600,499 over the preceding month's figure and was below the monthly averages for 1950 and 1951 of $16.4 million and $25.9 m respectively.

Principal manufactures which registered increases were bricks and tiles by $126,994, cotton piecegoods by $380,277, flashlights by $275,694, rattanware by $329,861, pressure lanterns by $200,000 and rubber shoes by $490,696. The value of cotton yarn exports was down by $1,518,056, that of canned foodstuffs by $1,136,231 and of vegetables and fruit preserves by $438,680.

The two latter products are traditionally exported to the USA and the decreases illustrate the now clearly perceptible adverse effects of the latest American import regulations. In this connection the Dept conducted exploratory talks with the Economic Section of the US Consulate General and took part in discussions with local manufacturers and exporters with a view to formulating a comprehensive scheme of certification designed to provide the detailed information required by the Foreign Assets Control in Washington.

Among purchasers in August of locally-made goods the USA came first with $2.8 million (July $3.8 m), followed by East Africa (Br.) with $1.9 m (July $1.5 m), Pakistan $1.8 m (July $644,889), Malaya $1.6 m (July $3.4 m) and the Philippines with $1 m (July $1.8 m).

TOTAL VALUES OF LOCAL MANUFACTURED GOODS EXPORTED UNDER IMPERIAL PREFERENCE CERTIFICATE AND CERTIFICATE OF ORIGIN FOR THE MONTH OF AUGUST, 1952.

	$
United Kingdom	622,418
West Africa (British)	769,143
South Africa (British)	679,910
East Africa (British)	1,893,510
Canada	407,493
Ceylon	523,191
India	67,478
Malaya (British)	1,590,010
New Zealand	48,489
North Borneo (British)	89,687
Pakistan	1,783,426
West Indies (British)	444,406
British Commonwealth, Other	689,529
Egypt	15,098
U.S.A.	2,829,790
Central America	498,924
South America	138,169
Burma	422,370
Formosa	8,000
Indonesia	107,405
Japan	16,359
Philippines	1,021,432
Thailand	104,640
Portuguese East Africa	319,070
Other Asian Countries	342,137
Other European Countries	86,038
Total	15,518,122
Total from January to July, 1952	139,649,840
Grand Total (8 Months)	155,167,962

HONG KONG TELEPHONE COMPANY, LIMITED

Notice to Shareholders

The Board of Directors, at a Board Meeting held on 2nd October 1952, unanimously resolved to offer 400,000 shares of the nominal value of $10.- each, at a premium of $2.50 per share to the persons who, on the 15th day of October 1952, were registered in the Company's Share Register as the holders of 1,499,980 fully paid shares of the Company in the proportion of four new shares for every complete number of fifteen fully paid shares held by them respectively.

The Directors have further resolved that the latest date for acceptance of the shares to be offered shall be the 31st day of December 1952, and that the full nominal value thereof, together with the premium thereon, shall be payable on application. The new shares, if accepted, will rank for dividend as from 1st January, 1953.

The Transfer Books of the Company will be closed from 15th October 1952 to 16th October 1952 both days inclusive, after which forms of application and details of the offer will be forwarded to shareholders as early as may be practicable.

By Order of the Board

S. GROVE,

Secretary.

Hong Kong.
2nd October, 1952.

WHEELOCK MARDEN & COMPANY, LIMITED

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HONGKONG ROYAL OBSERVATORY

There was little change in the routine meteorological operations of the Observatory during the year ended March 31, 1952. Although continued absence of weather reports from the mainland of China made forecasting extremely difficult, some improvement occurred when, in October, automatic teletype reception of the Guam weather broadcast was started. It was possible thereafter to issue the routine weather reports with considerably less time interval from the observation time. In other directions the year was one of considerable development. A seismograph unit began operating in November; routine measurements of the water needs of plant life were begun in October using an evapotranspirometer installed at King's Park Radiosonde Station; a cloud camera and accessories were purchased; equipment was obtained which will enable a greatly expanded network of rainfall stations to be established in the Colony; and finally a novel programme of ships' rainfall observations was initiated.

Research was on a wider scale than before; in fact, it is felt that Hongkong now yields pride of place to only India and the Caribbean area as a centre of tropical meteorological investigation.

The Year's Weather (1951)—Apart from a warm February monthly temperatures were below normal for the first six months of 1951. From July until the end of the year, however, they were above normal so that the annual mean temperature was only 0.2° F. below the normal of 72.0° F. The year was slightly more cloudy and humid than usual, December being the only month which was less humid than normal.

Accumulated rainfall for the year remained above normal from April 19th and by the end of December was 2863.9 mm., about 9% above average. There were excessive amounts of rainfall during May and June, the total for the former month of 553.8 mm. being 94% above normal. On 13th May a tropical storm passed north of Hong Kong on a NE'ly course. No gales were experienced in the Colony but the rainfall of 180.0 mm. was the maximum fall in one day for the year. Gales blew for a short period on 19th June when a tropical storm passed about 180 miles SW of Hong Kong. The maximum gust of 63 knots recorded at the Royal Observatory was 5 knots greater than the previous record for June. Prolonged gales were experienced during 1st and 2nd August when a typhoon passed some 90 miles to the SSW of the Colony and gave rise to the maximum gust for the year of 76 knots from ENE. During September typhoons threatened the Colony on three occasions but only one brought gales and then only for a few hours on the 2nd.

Meteorological Observations—Routine observations of the following elements were made at each hour of the 24 at the Observatory:—barometric pressure, dry-bulb and wet-bulb temperatures, wind direction and speed, cloud type, amount and height, visibility and weather. Continuous records were maintained of barometric pressure (Short and Mason microbarograph), temperatures (Negretti and Zambra distant recording thermograph), wind direction and speed (Dines anemograph), sunshine (Campbell-Stokes recorder), and rainfall (Dines Tilting Syphon rain recorder).

Maximum and minimum temperatures were both read daily at midnight Hong Kong Standard Time. Earth temperatures at the depths of one and four feet were read daily at 07h and 19h Hong Kong Standard Time. The grass minimum thermometer was set daily at 19h and read at 07h Hong Kong Standard Time.

The determination of upper winds continued to be made four times daily, whenever the sky was sufficiently clear, by pilot balloon and single theodolite observations at the recommended international times of 03, 09, 15 and 21h GMT.

Until 31st May the determination of upper temperatures, humidities and winds was made at the Observatory at 08h local time, using Kew Mark II radiosonde transmitters. From 1st June these operations were transferred to the new radiosonde station at King's Park. The new station is situated 212.5 feet above M.S.L. on the flat top of Reservoir Hill about 1,160 yards north by west of the Observatory. An obstruction-free path is available in all directions so that the balloon is readily launched, even on occasions of strong winds. Apart from any other consideration this makes the site a great improvement on the restricted area available at the Observatory.

With the co-operation of the Army, upper winds were found, as routine, using radar methods. 415 artillery meteor messages were prepared for the Services during the year, based on data obtained from these ascents.

The Marine Department staff at Waglan and Green Islands continued to make regular weather observations and to transmit reports to the Observatory and Kai Tak.

During the year arrangements were made for the naval coast watching stations at Cheung Chau, Tai O and Port Island to make six-hourly weather reports. This additional information from the approaches to the airfield and harbour is most useful to aviation and shipping interests.

5-inch raingauges were installed at the three coast watching stations, at the agriculture stations at Castle Peak, Lam Tsuen, Sha Tin and Silver Mine Bay, and at the Radiosonde Station, King's Park.

Forecasting Organization—With the exception of the storm warning service located at the Observatory, all forecasting services were centred at the Meteorological Office, Kai Tak Airport. There was a complete lack of information from China. The production of reliable forecasts for Hong Kong itself or for the sea and air routes along the China coast was made more difficult by a decrease in the number of ship reports from China coastal waters. This was due to the necessity of maintaining wireless silence in certain areas and to the cessation of reports from Formosa on the grounds of internal security.

Meteorological communication services were provided by Cable and Wireless Ltd. Synoptic weather reports from other countries, reports from aircraft in flight, and weather information from other air terminals were received by Aeradio, Kai Tak. The installation of an internal teletype circuit linking the Meteorological Office with the fixed and mobile Aeradio centres facilitated the exchange of messages. Weather reports from ships at sea, and from Pratas and Macao, were received at the Observatory Wireless Station (OBW), and through Naval channels. An improved aerial system at OBW gave a greater range of reception of ship reports. Radio teletype equipment for the automatic reception of the Guam weather broadcast was installed at Kai Tak and worked satisfactorily.

Synoptic weather broadcasts, including surface and upper air data, were received regularly from India, Pakistan, Burma, Thailand, Indo-China, Malaya, Indonesia, Australia, Philippines, Fiji, Pacific Islands, Japan, Korea, Russia, Macao, Pratas and the Paracels. It was possible to increase the number of wireless broadcasts received and the area covered, because automatic reception of information on the radio teletype circuit released operators. In addition hourly reports were received from all the important weather stations on the air routes from Hong Kong either through aviation broadcasts or fixed point-to-point channels.

The information received from land stations was supplemented by a large number of weather reports from ships at sea and aircraft in flight. More information about the weather in the vicinity of Hong Kong became available with the inception of regular reporting by ships of the Hong Kong Flotilla and Naval shore stations.

For forecasting purposes the following charts were drawn daily at Kai Tak: Surface Charts for 00h, 03h, 06h, 09h, 12h, 18h and 21h GMT; Isallobaric Charts; Upper Level

Charts for the 850, 700, 500 and 300 mb. levels at 03h, 09h and 21h GMT. The results of the daily radiosonde ascent were plotted in the form of tephigrams. At the Observatory four marine charts, showing weather reports from all ships and a selection of coastal stations were drawn each day.

Surface and upper-air synoptic weather information was broadcast every three hours, day and night, for the benefit of other weather centres by the Cable and Wireless radio station at Hung Hom (ZCU). Monthly reports on the quality of these transmissions were received from other weather centres in SE Asia, indicating that neighbouring countries receive this broadcast regularly and find it useful.

Storm Warning Service—Whenever a tropical cyclone was located within the Hong Kong area of responsibility, storm warning bulletins were issued at 6-hourly and, when information allowed, at 3-hourly intervals. These gave the positions, speeds and directions of movement of the storm centres. Hong Kong experienced gales from typhoons or tropical storms on three occasions. Although the nineteen hours of continuous gales in early August has been exceeded only twice before, they were not severe and damage was relatively slight.

Weather Service for Merchant Shipping—Forecasts for the following sea areas were broadcast twice daily from Cape D'Aguilar (VPS):—Shanghai to Foochow; Formosa Strait; Hong Kong and neighbourhood; South China coastal waters; Gulf of Tonkin; Luzon Strait; China Sea north of Lat. 10° N. Forecasts were also frequently requested and supplied for the following areas:—Luzon Strait to Loochoos; Eastern Sea; South of Japan; Yellow Sea. In addition a synoptic weather report was broadcast every 6 hours from VPS.

A total of 19,450 weather reports was received from ships at sea during 1951. The decrease is attributed t reduced shipping traffic between Hong Kong and the United States and to the continued need of maintaining wireless silence in some areas. Co-operation of ships during typhoon situations was most satisfactory, the record for the greatest number of reports in a single day being successively broken on 31st July with 133 and on 20th September with 134.

102 ships were visited in port by the Marine Liaison Officer of the Observatory; 45 ships' officers visited the Observatory, and 77 ships' barometers were checked. 12,654 reports were received by radio from HK Voluntary Observing ships during the year. Weather observations made and logged total considerably more than this and represent a valuable contribution to research data. On 31st March 1952, the voluntary observing fleet comprised:—

Fleet Weather Service—The Observatory continued to operate as a weather centre for the Royal Navy, and weather information was supplied as routine. The number of weather reports received from H.M. ships at sea continued to decrease because of the Korean war. However in February, H.M.A.S. "Sydney" on passage from Hong Kong to Singapore made an excellent series of radar wind observations for the Observatory, contributing significantly to our knowledge of the general circulation of this region.

Aviation Weather Service—A 24-hour observing watch was maintained at the Meteorological Office, Kai Tak, with a forecasting watch from 05h until 20h local time. The number of aviation forecasts required by aircraft and other air terminals again showed a slight increase and it was still necessary to have two forecasting officers on duty in the early morning. The World Meteorological Organization (W.M.O.) "Specifications for Meteorological Services for International Air Navigation" were brought into force on 15th October, 1951, replacing the I.C.A.O. specifications. Due mainly to insufficient staff it was still not possible to comply fully with all the new specifications. An increase in the assistant staff at Kai Tak became necessary in December and there are now three assistants on duty throughout the 24 hours. This was made possible only by reducing the staff at the Observatory, which is now badly understaffed. Close liaison was maintained with the staff of Civil Aviation Department. Installation of an internal teletype circuit linking the Meteorological Office with the Aeradio Centres facilitated exchange of messages.

Introduction of a radio teletype interception channel on the Guam weather broadcast not only resulted in a great increase in the amount of information received from the area to the east of Hong Kong, but also permitted reception of broadcasts from more distant countries. In particular efforts were made to make the 1200 GMT chart as complete as possible, and to this end broadcasts were picked up from stations as far distant as Tashkent in the west and Darwin and Suva in the south and southeast. In addition to the surface charts plotted at the four main synoptic hours, 00, 06, 12 and 18h GMT, charts for the subsidiary hours 21, 03 and 09h GMT were also plotted daily. Upper level charts were plotted three times daily at 21, 03 and 09h GMT for the 850, 700, 500 and 300 mb. levels. Information on the approaches to the airfield was received in routine reports from Waglan and Green Island. Aircraft in flight passed an average of 1381 reports per month, a slight decrease over the figure for the previous year. No information was received from China.

All outgoing aircrews were briefed before departure and supplied with flight forecasts in the standard form.

Hourly weather reports, route and terminal forecasts and reports from aircraft continued to be exchanged, as routine or on request, with Singapore, Saigon, Bangkok, Manila, Okinawa, Tokyo and Macau regularly, and occasionally with other weather centres in the area. Security measures in Formosa limited the exchange of information with Taipei.

All weather information required by the Royal Air Force was supplied by the forecasting office at Kai Tak. This included flight and local area forecasts, copies of the current synoptic charts, half hourly actual weather reports and reports on upper air conditions. An Experimental Officer from the Air Ministry was attached to the Observatory for liaison purposes, and took part in forecasting duties.

Weather Services for the Public—Each day, broadcasts of local forecasts were made five times in English and four times in Chinese from Radio Hong Kong and the general situation three times in the former language and twice in the latter. Forecasts were also transmitted four times daily by Rediffusion. A weather report and forecast were issued each night and morning for publication in the morning and afternoon newspapers. Storm warnings and special statements concerning typhoons were disseminated by Radio Hong Kong, Rediffusion and the press. During the year 1,074 students from 21 schools visited the Observatory compared with a total of 650 in the previous year.

The hourly values of all the meteorological elements were tabulated and a summary prepared monthly for inclusion in the Government Gazette. Thirty to forty copies of monthly rainfall and evapotranspiration charts were lithographed to all the rainfall outstations and irrigation and agricultural stations concerned. The annual volume of Meteorological Results, Part I—Surface Observations, for 1949 was published; Part II—Upper Air Observations for 1949, and Meteorological Records and Climatological Notes 1884-1950, are in the press. A summary of the daily surface and upper air observations was sent each month to the United States Weather Bureau for inclusion in the northern hemisphere charts published by the Bureau. A summary of the daily upper air observations was sent each month to the Air Ministry, London. A coded climatological summary was transmitted monthly on the Hong Kong Meteorological Broadcast. Replies were given to a large number of requests for information regarding climate and weather.

Instruments—An electric cup anenometer was installed on the signal mast at Waglan in May. The dry bulb thermometer and the mercury-in-steel thermometer in use at the Observatory were checked against standards. The cup generator anenometer at Kai Tak became defective. It was taken down, repaired and replaced. Minor adjustments were made to the Regulator Clock in May. The five-minute signal was flashed by three white lights from the Observatory mast every evening from 2055 to 2100h local time. On 1st October, VPS began broadcasting the five-minute time signal for shipping each day between 0155 and 0200h and 0955 and 1000h GMT.

The Leroy clock was maintained as a secondary standard. For answering telephone requests from the public, the Dent clock in the computers' room was used.

A Sprengnether horizontal seismometer, with three-component recorder and accessories, was received in May. The seismological basement was redecorated, the pillar extended and the instrument set up. Trial runs were initially unsatisfactory, owing to zero drift of the galvamometer in humid conditions. As winter approached and the air became drier this drift ceased. Dehumidification of the basement during the humid spring and summer period will be essential if continuous seismological records are to be maintained.

The publication of a monthly seismological bulletin began in December. A daily classification of microseisms was started in November. For the recording of microseisms due to tropical disturbances, a quick run recorder has been made.

Special Investigation & Research—Three evaporation tanks built to the design of Dr. C. W. Thornthwaite of John Hopkins University came into operation at the King's Park Radiosonde Station on 1st October. They enable total water requirement for healthy plant growth to be measured, and already the results are proving of value for irrigation planning.

Papers on the upper flow structure near typhoons and the general circulation of the atmosphere over southeast Asia and the western Pacific were published in the Quarterly Journal of the Royal Meteorological Society, while another on analysis and forecasting of the summer weather of this region appeared in the Journal of Meteorology. An illustrated "Brief History of the Royal Observatory" and notes on fogs at Waglan Island and on the frequency distribution of summer rain durations at Hong Kong were published locally. Investigations into the effect of strong winds on raingauge accuracy and ionosphere-weather relationship continue.

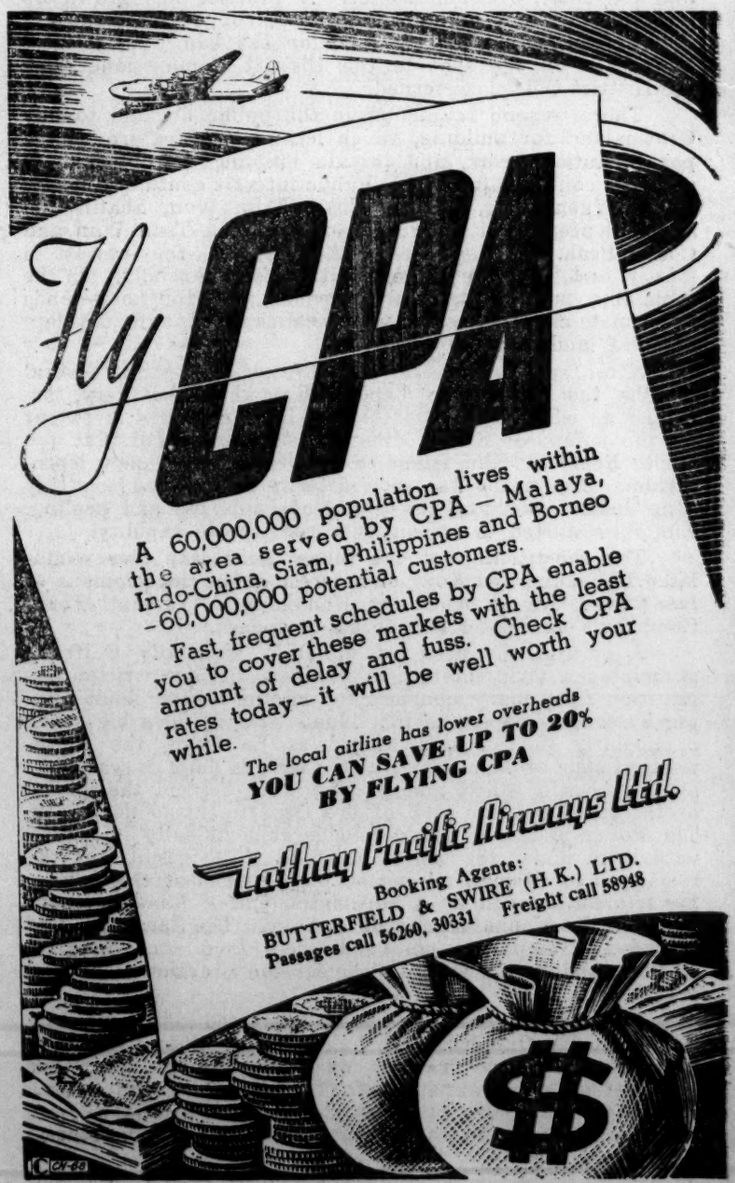
Under Colonial Development and Welfare Scheme the new radiosonde station at King's Park was completed during the year. It was decided to proceed with the establishment of additional weather stations at Waglan and Cheung Chau and by the end of the year work had started on new buildings. Meanwhile the lighthouse keepers at Waglan continue to furnish regular weather reports.

Outlook—The need for more complete and more frequent upper air information remains the primary consideration for the immediate future. Upper air information is gained only at considerable outlay because the costs of equipment are high and the personnel require to be specially trained. The benefits, however, are two-fold, firstly the provision of accurate data for the immediate purposes of high-flying aircraft, the numbers of which are rapidly increasing, and secondly, the acquisition of data in a tropical region for the purposes of much-needed investigations and research. A network of upper air stations remains the ultimate aim in this area, but much original work in what amounts to virgin territory from a meteorological point of view can be achieved in the Colony.

Seismological services, with the newly-opened prospect of application to storm detection and tracking, are in an early stage and much still remains to be done.

Many additional lines of development in observatory work could be pursued when circumstances permit. To attend merely to the directly revenue-making aspects of the department's work to the exclusion of scientific advancement comes dangerously near to living on the capital of past endeavours. Nevertheless it is frequently difficult to justify allegedly academical activities in the face of the immediately practical demands of, say, airline operation.

A gratifying increase in the amount of published research work has been slowly achieved over the past few years, and there is still plenty of room for expansion in the output of this essential section. Available periods for intensive investigation into problems which international meteorology considers to be of vital importance are still too short and haphazard. This is one of the disadvantages of a small department where everyone to a more or less extent needs to be something of a jack-of-all-trades, but it is hoped that the steady hammering-out of a departmental organization, designed to meet the essential routine duties without duplication of effort, will allow a gradually increasing application to scientific research.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HONGKONG NEW TERRITORIES

Rural Organization—This continued mainly healthy and cooperative, making for efficient liaison between local population and the Administration, according to the Annual Report of the New Territories (Year April 1951 to March 1952). Elections to Rural Committees resulted in mostly minor changes.

Colonial Development and Welfare Fund—The first task of the Irrigation Engineer was to examine the traditional irrigation system in the Pat Heung, the eastern part of the plain lying to the north-west of the Taimoshan massif, and to recommend measures for its improvement.

In June the Public Works Department completed the construction of an iron, wood, and cement concrete pier at Silver Mine Bay. Hitherto the numerous passengers from the various ferries serving this area had to disembark on to a barge moored in the bay, going ashore thence by sampans. Work started on the new pier at Cheung Chau, and on the important extension of the pier at Tai O.

Development—The need for close liaison between New Territories District Administration and Public Works Department was recognized by the nomination of the Deputy Director of Public Works to be the link between the Director and the District Commissioner. A practice has grown up whereby decisions on knotty problems of development are deferred until the Deputy Director has had time to give his advice on the spot to the District Commissioner and the District Officer concerned.

There was no falling off in the public demand to buy Crown land for building, which has been a feature of the post-liberation years, and private building development of all kinds continued rapidly. Public interest continues mostly in the Yuen Long, Cheung Chau, Tsun Wan, Shatin and San Hui areas, and the coast road between Tsun Wan and Castle Peak. In the case of the first two the interest is mostly local, but none the less well backed financially. In the remaining cases capital from Kowloon and Hongkong tends to compete more noticeably with local capital for the development of land in these areas.

After reconnaissances and discussions lasting several months the Mission to Lepers, Hongkong Auxiliary, accepted an island approximately six hundred acres in extent off the mouth of Silver Mine Bay known as Pak Pai (= White Reef) or Nun Island, as a site for their new leprosarium. The name was soon afterwards changed to "Hay Ling" island, meaning the island of happiness and healing. Buildings started to appear with remarkable rapidity.

The construction of the Silver Mine Bay pier stimulated Hongkong and Kowloon interest in the development of land there, and in April the Hongkong & Yaumati Ferry Company's new hotel was formally opened.

A rise in the price of minerals, especially wolfram, stimulated a vivid interest in mining. Besides written application from many quarters for mining rights, illicit mining by small groups, and individuals, started on a big scale, particularly in the area known as Fa Shan, the south-western spur of Taimoshan, where serious damage was done by hundreds of illicit miners, who were beyond the ability of the small outdoor staff of the Department to deal with. The Police moreover found considerable difficulty in coping with them under the law as it stood. The result was the formation of a small mining sub-department of the Labour Department, headed by a Superintendent of Mines, responsible to the Commissioner of Labour. The law was also amended. Temporary mining licences then started to be granted, and by the end of the year the situation was more orderly.

The Mutual Trust Company continued open-cast iron mining at Ma On Shan with hundreds of miners, including many Northerners. Trouble was experienced with the licensees of a pre-war tin mine at the south end of the Shap Pat Heung, in the Yuen Long District, who allowed a huge accumulation of silt to foul the irrigation system here.

The China Light & Power Company carried their cable out to Saikung Market.

Current prosperity, and improvement in road communication, was reflected in the investment of capital in amusement parks. Besides the existing large centre at Laichikok, just outside the urban boundary of Kowloon, a large new venture was launched at Yuen Long, and plans were put forward for an amusement park at Shatin.

Questions of fung shui (= wind and water, the Chinese equivalent of geomancy) were occasionally prominent, mostly in the Yuen Long District, where the District Officer handling them is the only Chinese in the Administrative Service in Hongkong. In the first of two cases handled by this officer, he found himself obliged, against the dictates of good planning, to support a fung shui objection to building development at the northeast foot of the hill on which his District Office is situated. When, soon afterwards, he found himself faced with objections by one of the most litigious villages in the New Territories to proposals by a man from town to obtain white clay under permit from a hill near the coast, he felt he was on his mettle, and at the week-end went back to his old university, the University of Hongkong, and borrowed from the library there several books on fung shui. When the hearing of the case continued after the week-end, he severely grilled the village's chief witness, their geomancer, who broke down under his examination. The outcome was that the objection by the village was overruled, and the village requested the District Officer to become their geomancer in the place of a discredited adviser.

The large Tai Lam reservoir scheme involves the resettlement in due course of three villages, and the loss of many acres of agricultural land, and of hillside hitherto used by villagers for grass-cutting, grazing, and forestry. By the end of the year a small area of about seven acres of private land had been acquired by negotiation with the owners in connexion with preliminary work.

By arrangement with the D.O. South the Royal Engineers demolished rocks in Saikung Harbour which had for years been a danger to local craft. A small pier was built out of the boulders removed from the middle of the harbour.

Some refugee Chinese Trappist monks have started an interesting experiment in cultivating over seventy acres of unpromising hillside on north-east Lantau Island.

nd Public Health—Early in the year the public market at Saikung, which was built unsupervised on local initiative soon after the liberation, had to be pulled down, as dangerous. Steps to replace it by a new, bigger, Government market, were taken.

A new market was built by the Shatin Rural Committee on Crown land at Shatin. It will be run by the Committee.

The small hospital at Silver Mine Bay was completed and at the request of the people there handed over formally to the Medical Department.

The gentlemen of the Yuen Long District, spent about a lakh rebuilding the old Pok Oi Hospital, near Au Tau. It was thoroughly modernized, and equipped to take a dozen maternity cases. The first Western-trained Chinese doctor to practice full time and live in the New Territories is attached to it.

At Luen Wo Market, Fanling, the roads were greatly improved, partly with the assistance of a steam roller lent by the Chief Engineer, Land Forces.

In the course of the year the Agricultural Department took over from the District Administration the responsibility for inoculating dogs against rabies. This is carried out as part of the general inoculation programme including cattle, pigs, and chickens.

Magnificent voluntary work was done by the penetration patrols of St. John Ambulance, who by launch and car and on foot go all over the New Territories on holidays giving medical and dental attention to the local people, who deeply appreciate the work done. Arrangements are made through the Police.

Agriculture and Animal Husbandry—Every year there is anxiety whether rain will fall sufficiently early to allow of the planting of the first paddy crop. This year the only complaints heard were on the score of excessive early rain—unusual. The first paddy crop was exceptionally good. The second paddy crop suffered from lack of rain at the end of the wet season, but was nevertheless satisfactory on the whole. Complaints against the Government Vegetable Marketing Organization, which had been numerous in the early days of the organization, have become rare, and the new vegetable marketing cooperative societies give deep satisfaction to the members, and hold out promise for the future.

In spite of the excellent preventive work by inoculation done by the Agricultural Department, cases still occur in which gentlemen even of the status of members of Rural Committees fail to report quickly outbreaks of disease among animals.

In the last few years some refugee capital has been sunk in chicken farms, nearly all in the Yuen Long District. The choice of this area was due to the chance that, pre-war, urban capital launched the first big breeding establishments here, and to the fact that this area is probably the most suitable in the New Territories, because there is plenty of flat land there, open and sunny, less damp and cloudy than the narrower valleys to the north east. Good communications, plentiful water, and the availability of electricity have also been factors in attracting investors to this area. In the course of the year these gentlemen formed themselves into an Association and successfully organized a week's exhibition of their birds and eggs at the Laichikok Amusement Park. It was visited by thousands.

Forestry—The Agricultural Department have planted the hillside above the last six thousand yards' length of the Taimoshan catchwater leading into the Shing Mun Reservoir. It was necessary to arrange for admission of the local villagers to the area for grass-cutting. Illicit cutting of trees continues, despite the vigilance of the Forestry Officer and his men. Most of it is done by refugees.

Education—Several new schools were opened, mostly on the basis that Government pays half the cost of construction, the other half of the necessary money being raised locally. In one or two cases where supervision of the construction has been difficult because of lack of staff and the distance to be covered the Royal Engineers, who happened to be on the spot, kindly kept an eye on the work.

Public Order—Apart from the illicit mining and the usual tale of traffic offences, most of the New Territories' cases going to the Magistrates concerned smuggling into or out of the Colony, illicit entry into the Colony, and unlawful tree-cutting. Improved control of the frontier on both sides has led to a diminution in the incidence of armed robberies. The registration of the inhabitants continued, thousands getting identity cards. A large portion of the northern mainland was made subject to nightly curfew. A further strip of frontier fence was put up at the pass at Pak Kung Au, in the Sha Tau Kok area. For some months inconvenience was caused to consumers of electric power by periodic thefts of the Company's cable. The Police appear to have succeeded in preventing this, but the same activity became apparent at the end of the year in the theft of telephone cable.

Ping Chau Island, Mirs Bay, is always short of water in the dry season. The traditional remedy is for the inhabitants to sail over to the Chinese mainland nearby and bring water back to the island in water boats. It has therefore become necessary to supply the island from Hongkong sources, and this is done periodically by the Fisheries vessel and the Police launches.

Local Public Works—The sum available, a little over $13,000 for each District, always taxes the ingenuity of District Officers to use to the best effect. They are never free of pressing requests for assistance from this vote for the repair of paths, bunds, schools, bridges, piers, and so on.

Communications—The improvement in the official telephone service had of course its counterpart in improvement of the Company's telephone service to and from Taipo, Yuen Long, and Castle Peak. Late in the year two-way radio telephone communication was established with Cheung Chau. The 'Bus Company improved their service to and from Saikung. The commercial ferry boat plying in Mirs Bay ceased to operate, because with the closing of the Chinese ports on the bay the business ceased to be remunerative. The coast and islands now depend again on local junk ferries, supplemented by occasional trips, in case of emergency, in Police launches or the Fisheries vessel.

Employment and Personal Attention to N.T. People—With the progressive tightening up on travel facilities all over the world District Officers were frequently approached by the relatives of absent men, to help them get back to the Colony, and by persons seeking travel facilities. The Department continued to help find employment for unemployed men, the normal avenues being the Police, the Army, and the public utility companies. The New Territories still feel their exclusion from pre-war employment in some of the big shipping companies.

HONGKONG COMMODITY MARKETS

October 3rd, being full moon, was a general holiday for the celebration of the Mid-Autumn Festival, making a short week for the local markets, which were also affected as a result of the settlements taking place at this time.

The third anniversary of the establishment of the People's Republic of China which occurred on October 2nd did not create much interest in Hongkong, and trade was in no way affected by the few public and private functions that took place. On the mainland, however, a three-days' holiday marked the anniversary, and prevented the usual flow of China produce to this market over the weekend.

Of interest to cotton mills in HK was the announcement by the Office of International Trade of the US Dept. of Commerce that the need for cotton by the HK mills is recognised by the US and consequently its cotton export policy permitting minimum licensing to meet essential short-term requirements will be continued during the current crop year which began on Aug. 1. Various other commodities such as food, textiles and manufactured goods are being licensed for HK under the same criteria as cotton. Cotton shipments to all areas were placed under control by the US in September 1950, and the present licensing policy toward the British Colony was not adopted until March 20, 1952.

Survey of HK Markets for week ended Oct. 4, 1952

The Cotton Yarn market was unusually quiet, more so than at any time for several months past; prices continued to feel the effect of plentiful arrivals of supplies. Buyers from Shanghai and North China were in the Metals market for uncontrolled goods such as tools, wire nails, etc.; orders were also received from Thailand, and Japanese and European exporters were looking for scrap. Dealers from Canton and Taiwan were active in the Industrial Chemicals market, but the tight money conditions prevailing at this time as a result of the mid-autumn settlements hampered the completion of many transactions on a large scale. Very little business was done in Paper and that market was particularly quiet. Exporters to Japan and Europe were strongly in evidence on the China Produce market during the week and dealers from Singapore, India, Indochina, Thai, Penang, South Korea, Pakistan and West Germany were also noticeable. Counterbalancing the large shipments abroad was the flow of supplies that continued to arrive from the mainland, until they subsided during the anniversary holiday over the last half of the week, and from Taiwan.

THE HONG KONG JOCKEY CLUB

SECOND RACE MEETING 1952/53

Saturday, 11th and Monday, 13th October, 1952

(Held under the Rules of The Hong Kong Jockey Club)

The First Bell will be rung at 1.30 p.m. and the First Race will be run at 2.00 p.m. on the 1st Day.

On the 2nd Day the First Bell will be rung at 11.30 a.m. and the First Race will be run at 12.00 Noon. The tiffin interval is after the Fourth Race (1.30 p.m.) on the 2nd Day.

There are 10 races on the 1st Day and 12 races on the 2nd Day (22 in all).

Through tickets (22 races—$44.00) as well as tickets for the Special Cash Sweep scheduled to be run on 11th October, 1952, may be obtained at the Cash Sweep Office of the Club at Telephone House, 1st Floor.

Through Tickets reserved for this meeting but not paid for by 10.00 a.m. on Friday, 10th October, will be sold and the reservation cancelled for future meetings.

THERE WILL BE NO SPECIAL CASH SWEEP ON THE LAST RACE.

To avoid congestion at the Cash Sweep Office at Telephone House, non-members are requested to purchase their sweep tickets at the Club's Branch Offices at:—

5 D'Aguilar Street, Hong Kong or 382 Nathan Road, Kowloon

TOTALISATOR

The attention of Totalisator Investors is drawn to the following rules:—

Dividends will be paid on the winning and placed ponies so declared by the Stewards when the "All Clear" is given. The "All Clear" signal will be indicated by a white light at the Totalisator Tower. BACKERS ARE ADVISED NOT TO DESTROY OR THROW AWAY THEIR TICKETS UNTIL AFTER THE "ALL CLEAR" SIGNAL HAS BEEN EXHIBITED.

Totalisator Tickets should be examined and checked before leaving the Selling Counters as mistakes of any description cannot be rectified later.

Cash received in respect of Dividends should be checked before leaving the Pay-Out Counters as no claim fer short payment of the value of tickets presented can be entertained once Investors have left the Counters.

All winning tickets and tickets for refunds must be presented for payment at the Race Course on the day to which they refer, but none will be paid later than one hour after the time for which the last race of the day has been scheduled to be run.

In no circumstances will any Dividends be paid or refunds made unless a ticket is produced. Payment WILL NOT be made on torn or disfigured tickets.

MEMBERS' BADGES AND ENCLOSURE

Members and guests are reminded that they and their ladies MUST wear their badges prominently displayed throughout the Meeting.

NO ONE WITHOUT A BADGE WILL BE ADMITTED TO THE MEMBERS' ENCLOSURE.

Badges admitting ladies not in possession of Brooches or Season tickets and gentlemen, non-members of the Club, to the Members' Enclosure and the Club Rooms at $10.00 per day including tax, for ladies or gentlemen are obtainable through the Secretary at Alexandra House, on the written or personal introduction of a Member, such member to be responsible for all visitors introduced by him and for payment of all chits, etc.

Only a limited number of badges admitting to Members' Enclosure will be on sale at the Race Course.

The Branch Offices and the Treasurers' Compradore Office will close at 10.00 a.m. on both days. The Secretary's Office will close at 11.45 a.m. the 1st Day and at 10.00 a.m. the 2nd Day. The Treasurers' Compradore Office is situated at Telephone House, 1st Floor, and the Secretary's Office at Alexandra House, 8th Floor.

A limited number of tiffins will be obtainable at the Club House provided they are ordered in advance from the No. 1 Boy (Tel. 27818).

NO CHILDREN WILL BE ADMITTED TO THE CLUB'S PREMISES DURING THE MEETING.

PUBLIC ENCLOSURE

The Price of admission to the Public Enclosure will be $3.00 per day including tax for all persons including Ladies and will be payable at the Gate.

Any person leaving the Public Enclosure during a Meeting will forfeit his or her right of admission to the Enclosure and will be required to pay the requisite fee of $3.00 in order to gain re-admission.

No re-admission tickets will be issued

BOOKMAKERS, TIC TAC MEN, ETC., WILL NOT BE PERMITTED TO OPERATE WITHIN THE PRECINCTS OF THE HONG KONG JOCKEY CLUB.

MEALS AND REFRESHMENTS WILL BE OBTAINABLE IN THE RESTAURANT IN THE PUBLIC ENCLOSURE.

SERVANTS' PASSES

Servants' passes will be issued to private box holders only, who are requested to distribute them with discrimination and to endorse their names on the passes. Holders of such passes are not permitted in the Members' Enclosure except for passing through on their duties and must remain in their employers' stands.

Owing to the congestion in the Members' Betting Hall and at Booths adjacent to Boxes in the Coffee Room, Box-holders and Members are requested to ensure that their servants make use **only of the Public Betting Hall.** Military Police will be posted at various points in the enclosure to ensure that this regulation is adhered to.

By Order,
H. Misa, Secretary.

Included in arrivals from China were: woodoil 90 tons, aniseed oil 30 drums, rosin 640 cases, white ramie 300 bundles, dried egg yolk 76 cases rugs 28 bundles.

HK Commodity Prices Sept. 29—Oct. 4, 1952

(Spot sales unless otherwise stated)

(One picul = 133.33 lbs)

Cotton Yarn—HK 20's $1560 & $1590 per bale. Italian 20's $1325 & $1350 per bale; 42's $2410 per bale. Indian 16's $1150; 26's $1345 per bale.

Metals—Galvd. Iron Sheets G24 66 cents per lb, G26 68 cents, G28 71 cents; Japan G31 3' x 7' $7.30 per sheet. Mild Steel Plates 4' x 8' ⅛" $84 per picul. Mild Steel Round Bars, Europe 40' ¼" $58 per picul, 5/16" & ⅜" $57, ⅝"—1" $43 per picul; 20' 2" $46 per picul; Japan 18'—22' 1" $40 per picul; HK make ⅝" & ¾" $42 per picul. Aluminium Sheet, standard qual UK rolled sheets 2' G30 $4.40 per lb; Japan 4' x 8' G18—G22 $3.30; Japan 1 x 2 metres G18 $3.20 per lb. Copper Rods ½"—2" $6.30 per lb. Copper Sheet, Japan 4' x 4' 1/16", 3/32" & ⅛" $5.30, ¼" $5.20 per lb; Japan 4' x 8' 1/32"—⅛" $5.60 per lb. Copper Pipes, UK 18'—20' ⅜" —2" $6.70 per lb. Corr. Roofing Iron Sheet 3' x 7' G26 68 cents per lb. Galvd Iron Wire, Europe G8 $52 per picul, G10 $54, G22 $67, G24 $80 per picul. Steel Wire Ropes, UK 1½" $2.60, 1¾" $2.50, 2¼" $2.20 per lb. Shafts 20'—22' 1" & 1¼" $74 per picul. Wire Nails in kegs G14 1¼" $55 per picul, G5 6" $62 per picul; Europe (under 1") G18 ⅝" $65 per picul; kegs 250 Europe 1½"—3" $55 per picul. Zinc Sheet, Europe 3' x 8' G2 $250 per picul, G6 $195. Electrolytic Tinplate Waste, Waste 18 x 24" tonnage packing $175 per 200 lbs. Blackplate Waste, Waste USA G29—33 18" x 24" & over $70 per picul. Blackplate 3' x 6' G30—G31 $68 per picul. Iron Scrap 1q $290 bulk quantities, medium qual $160 per ton, inferior qual $130; steel plates salvaged from ships ⅜" & over $25.50 per picul, under ⅜" $22.

Industrial Chemicals—Acetic Acid, Glacial, Italy 25 kg aluminium drum 50 cents per lb. Carbolic Acid (Phenol), 448 lbs U.K.$2.60 per lb, Australia $2.60. Bicarb. of Soda, refined U.K. 100 kg bag $42 per bag. Lithopone 30%, Holland 50 kg paper bag 43 cents per lb. Cresylic Acid, U.K. 448 lbs 59 cents per lb. Sodium Nitrate in 100 kg gunny bags $33 per picul. Sodium Hydrosulphite, Holland 250 lb drum packing $95 per picul. Sodium Perborate, Germany 100 kg drum 68 cents per lb, 50 kg drum 65 cents. Tanning Extract, Mimosa about 1 cwt double bag 65 cents per lb.

Paper—Duplex Board, Sweden 240 lbs $135 per ream, Finland 255 lbs $135; Europe 280—380 lbs 78 cents per lb. Strawboard, Yellow, Japan 26" x 31" 8 oz $455 per ton, 10—16 oz $460. Cigarette Paper 20" x 30" Japan $14 per ream. Prime Glascine Paper 26 lbs 30" x 40" double size $37 per ream. Glassine Paper, Germany coloured 30" x 40" 26 lbs $37/$36 per ream. Bond Paper, watermarked 22" x 34" 32 lbs white $25.50 per ream; unwatermarked $24 per ream. Foolscap cream laid, U.K. 48—60 lbs 26½" x 33" $1.45 per lb; miscel. brands $1 per lb. Manifold Paper 22" x 34" 16 lbs Norway $16 per ream, coloured $20, Czech $15, Germany $15.50 per lb. Mechanical Printing, Europe 60 lb 58 cents per lb. Tissue Paper 13½ lb 25" x 44" Norway $14.50 per ream. Woodfree Printing 65—70 lbs 82 cents per lb; Austria, Czech, Holland 80—100 lbs 76 cents per lb. Cellophane, 36 x 39" Germany $78.50 per ream, Czech $64 per ream. Newsprint in roll 52 gr 31" Sweden, Austria & Finland 39/40 cents per lb, 43" Norway 42 cents per lb. Newsprint in ream 50 lbs 31" x 43" $22.50 per ream. MG Cap 17½ lb coloured Europe $13 per ream, white Norway $11.50 per ream. MG Sulphite Paper, Europe 47 lbs brown $32 per ream, 40 lbs white 35 x 47" $34 per ream Waterproof Kraft 35" x 47" 120 lbs $120 per ream.

China Produce—Vegetable oils: Woodoil (Tung Oil) refined in bulk $220/$218, in drums $236 per picul, European buying offer £245 per ton c. & f. Aniseed Oil 15 deg $825 per picul. Citronella Oil $2.48 per lb. Rapeseed Oil $97/$100 per picul. Cassia Oil 80—85% c.a. $1840 per picul (sellers). Teaseed Oil 2% ffa $148 per picul (nominal). Other produce: Gallnuts, Hankow 2q $50.30 per picul. Galangal, Hoihow medium grade $35.50 per picul. Garlic, Kumshan toasted $98 per picul. Groundnut Cake, Tsingtao $26.50 per picul. Gypsum $18.20 per picul. Hops, Tientsin $70 per picul. Lacquer, Crude, Szechuan $580 per picul. Menthol Crystals 2q $42 per lb. Mustard Seed $62 per picul. Potato Chips, Szechuan $195 per picul. Rugs, Tientsin 12' x 9' $2100 per rug. Rice Bran, Changsha $19.50 per picul. Wheat Bran, Hankow $16.60 per picul. Raw Silk, Canton 20/22 $3150 per picul. Rosin, East River M grade $90 per quintal; Mixed grade 1q $85, 2q $73 per quintal; H grade $83 per quintal. Sesamum, Unhulled, Tientsin white $66 per picul, Hankow brown $65. Vegetable Wax $760 per picul. Minerals: Arsenate Crude $450 per picul. Tea: Green, Taiwan 2q $280 per picul; Paochung 1q $550 per picul; BOP 1q $405 per picul (nom); OP Black 1q $400 per picul.

FINANCIAL REPORTS

HONGKONG EXCHANGE & GOLD MARKETS

Report for the week Sept. 29—October 4:

GOLD: High & low for .945 fine gold per tael $ 291¾—289⅜, per .99 fine tael in Macao $ 302½—300⅝ (in Canton gold dealings have practically ceased and no market quotations are available though what business is put through in the Kwangtung capital is calculated on the basis of the Macao prices which are received by illicit wireless). Local high & low per day (excl. Oct. 3 which was mid-autumn festival): $ 291⅝—289⅞; 291¼—290⅜; 290⅝—289⅝; 290¾—289⅜; 290⅝—289⅝. Opening 290¼, closing 289⅞. Crossrate: US$ 40.10—40. Cif Macao contracts for a total of 8000 ozs concluded at 40.10.

Market dull, trend easy. Hoarders and speculators kept away from the market. Export prospects doubtful as Bangkok might at any moment introduce the official import scheme which is now being prepared. Local stock is heavy and is augmented by sales from hoards. Exports being sluggish there is no outlet for current imports so that stock will further rise. Long-term outlook is discouraging as no world complications can be anticipated and the official price will remain for a long time to come.

Changeover interest favored sellers and totaled per 10 taels $ 2.37. Tradings: 123,600 taels or daily average 24,720. Positions averaged per day 93,200. Cash bars: 24,450 of which 6450 listed, 19,000 privately arranged. Imports from Macao totaled 19,800. Arrivals in Macao 41,200 ozs. Exports: 18,500 taels of which 9200 to Bangkok, 8500 Singapore, 800 Indochina.

The Manila gold exchange is yet in the preparatory stage but it seems that the Philippine authorities, mainly the Central Bank, have in principle agreed to the establishment of such an ex-

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change, their view being that domestic mining production will thus be encouraged, the alien Chinese bullion dealers deprived of their dominance, and imports into the Philippines will, by means of scrip to be issued for gold, be increased thus reducing cost of living in the Republic. Some speculative business from other parts of the Far East will then be attracted to Manila though by and large the market there will function for the sake of the gold mining industry of the Republic. Some Hongkong interests have been backing the scheme in Manila and there is little doubt that eventually the Manila gold bullion exchange will be operated and will be a financial asset to the general economy of the Philippines.

US$: High & low of US notes per 100 in HK$632⅜—629¼, DD 632¼—629¼, TT 634¾—631. Rates for TT day by day, excl. Oct. 3, a holiday: $ 634½—633; 634¾—633½; 633—632½; 633¼—632; 632¾—631. Sales: TT US$ 865,000, DD 295,000, notes spot 129,000, futures 5½ million,

Market dull and trend slightly easy. Crosses elsewhere improving and Bangkok offerings (ex gold shipments) not well absorbed, the rate was weak. Gold importers and China agents (buying merchandise for Peking account) were few. TT was thus dropping in turnover. In notes sector no changeover interest; positions averaged US$3¾ m. In DD there was much business due to the mid-autumn festival but compared to previous years overseas Chinese remittances in 1952 were only a fraction of postwar years' average.

The market is concerned about the future of sterling. It would appear that sterling is recovering and that free crossrates will approach the official London/New York rate. There is consequently some speculative selling (not short but actual) which is caused by such anticipations. The general outlook is pointing towards peace and thus there may be no further undue pressure on Britain's economy to spend fortunes for rearmament though rearmament will continue on a more rational level.

SILVER: Rates per .99 fine tael $6—5.95, dollar coin 3.95—3.93, small coins 2.97—2.95. Sales: 4500 taels, 12,000 dollar and 35,000 small coins. Prices touched their high and reacted when buyers had covered. Overseas there is much interest in silver (obviously for industrial purposes). Local imports were small, some from Macao others from Kwangtung.

BANKNOTES & FAR EASTERN DD: DD Singapore quoted $1.89—1.88, Manila 2.17—2.16, Bangkok .275, Tokyo per US$6.03½—6.00½, per 100 yen 1.52¾—1.52. Sales: 275,000 Mal.$, 115,000 pesos, 1¾ m. baht, 25,000 US$, 65 m. yen.

Banknote rates: London $15.88—15.87, Australia 12.19—12.11, N. Zealand 13.10, S. Africa 15.70, India 1.22½—1.22, Pakistan 1.25, Malaya 1.838—1.831, Canada 6.53—6.48½, Manila 2.27—2.26½, Macao 1, Tokyo per 100 yen 1.56—1.55, Indochina .1165—.1155, Bangkok .347—.346, Indonesia .26.

CHINESE EXCHANGE: People's Bank of China yuan per one million quoted $191½—187, DD Canton 228—225, Amoy 193—190, and sales were resp. 40 m., 120 m. and 165 m. Remittance with Amoy in US$ quoted 5.50—5.48, gold exchange with Shanghai 86, US$ with Shanghai 84. Market was very quiet.

Taiwan yuan quoted per 100 for notes $2.60—2.50, DD Taipei 2.67½—2.65, and sales were resp. 650,000 yuan and 1,370,000 yuan. Gold and US$ exchange with Taipei quoted resp. 106 and 103 per 100 in Taipei.

SINGAPORE SHARE MARKET

A satisfactory volume of trade was maintained with holders meeting the market and by the end of the week sellers were in slight predominance and a slight general easing was discernible in Industrials and Tins. Little business was possible in Rubbers and Loans.

The Twenty-five Million Dollars required for the City 5% 1962/72 Debenture issue was subscribed in a week. The Commissioners are to be commended on their appreciation of financial conditions and of the fact that money is worthy of its hire and, even as other services and commodities, is generally available at a proper price.

Unfortunately, in the realm of Singapore Government legislation, no such realistic appreciation has been shown in considering the Exchange Control Ordinance 1952. The Select Committee has patently lost sight of the wood of commerce in the jungly welter of provisions, old and new, and has been persuaded to accept many new restrictions against the protests of informed and responsible representative bodies. Reduced to its simplest the question is whether it is the policy of the financial authorities of Governments which comprise the sterling bloc to create new sealed-off sections in the scheduled territories. Such is not the declared policy of Mr. Churchill nor of the Singapore Governor who, when he took office, dedicated himself to the task of removing restraints on Commerce. Yet his advisers are preparing to impose on those who own and deal in securities in the scheduled territories a number of new restrictive measures which hitherto have not been found necessary and which have never been imposed in Great Britain. There has never been any question of checking the freest flow of remittances through Banks between the Colony and other countries in the sterling bloc and it is possible for a resident to go to his Bank and exchange a million dollars, if he has it, for sterling and remit the money to a resident in any part of the sterling bloc, and the recipient can disburse these funds within an hour of receipt without trace and without the Control imposing a single restriction. But under the proposed legislation let the Singapore resident who owns £100 of British War Loan stock seek, without permission of the Control, to transfer the stock or bank his interest warrant, in Britain, and he will become a 'new' exchange criminal. And, if after the enactment of the Bill, he persists in retaining in his possession scrip in a Company outside Malaya and fails to deliver this security to an authorised repositary—which will, of course, charge a fee for this service—then he will again have committed a breach. Yet the same individual may transfer immediately his million dollars to London. Johannesburg, Calcutta or Sydney without securing the permission of any authority. Which of course makes complete nonsense of the proposed measures.

If the ordinance is enacted as now drafted, the Singapore resident owner of sterling securities registered outside Malaya will be subjected to a control no less rigorous than that now imposed on a holder of American Dollar securities. It is not enough to state that criticism will be removed by the publication of exemptions simultaneous with enactment of the Bill. The measures we have described will impose an intolerable amount of paper work on the shareholding and dealing section of the community and should not go on the statute book for one day, let alone one year.

In the Industrial section investment buying absorbed parcels of several of the leading counters without affecting prices to any extent. Fraser & Neave maintained the $4.10-$4.15 level which was established last week and had fair exchanges at market. Wearnes were again taken in a number of places at $2.40 on reports of satisfactory car registrations. Fair parcels of Consolidated Tin Smelter Ordinaries were booked from London by local investors.

Among Dollar Tins, Rantau met strong demand from an outport and large business ensued. Taiping turned sellers after up country buyers were filled and Sungei Way came on offer in fair quantity towards the end. Petaling continued a steady market.

In the Australian Tin department, Jelapang subsided to 41/- sellers after an ephemeral lifting of quotations to 45/- without much business. Rawang Tinfields met support under 10/- and on Friday, doubtless on reports of increased terrorist activity in South Siam, sellers of Burma Malay appeared and it was possible to supply part of the market requirements in this holding Company. Interest in sterling tins was concentrated on Nigerians which had fair placings.

In the Loan market it was possible during the week to establish new quotations for the old local issues consequent on the City 5% flotation, but little dealing was done.

Business Done. 20th-26th September.

Industrials. Consolidated Tin Smelter Ord. 20/6, Federal Dispensary $1.67½ and $1.70, Fraser & Neave Ord. $4.10 to $4.15 c.d., c.b.i., Pref. $6.65, Gammon $2.65, Hammer $2.35, Malayan Cement $1.01½ to $1.03½, McAlister $42.50 cum to $40.25 ex div., Oriental Telephone 58/- and 57/6, Robinson Ord. $3.40, 2nd Pref. $10.50, Singapore Cold Storage $4.65, Straits Steamship $20.00, Straits Times $4.15 and $4.10, Uniteers $13.00, Henry Waugh $2.17½ to $2.21½, Wearne $2.40.

Tins. Hong Fatt $1.30 to $1.26, Jelebu $1.17 and $1.17½, Klang River $2.55, Lingui $2.50 and $2.47½, Petaling $6.30 and $6.25, Rahman $2.35 to $2.41, Rantau $4.90, Sungei Way $4.25 to $4.20, Taiping $2.16.

Austral Amalgamated 17/-, Jelapang 38/6 and 39/6, Kuala Kampar 44/6 to 43/9, Larut 15/6, Pungah 23/- to 22/9, Rawang Concessions 45/6, Rawang Tinfields 10/- to 9/10½, Tongkah Harbour 14/6 to 13/6, Malayan Tin 24/3, Southern Tronoh 13/-, Amalgamated Tins Nigeria 12/6 to 12/-, Bisichi 5/3½ to 5/-, Jantar 12/3 to 12/6, Naraguta 6/9¾.

Gold. Raub $2.95 and $3.00.

Rubbers. Ayer Panas 92½ cents, Batu Lintang $1.10 and $1.15, Riverview 3/3, Singapore United 2/4.

Overseas Investments. Swan Brewery 10/3 and 10/4, Australian.

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